100th Congress
1st Session

COMMITTEE PRINT

WMCP:
100-26

SUBCOMMITTEE ON TRADE

OF THE

COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

WRITTEN COMMENTS

ON

CERTAIN TARIFF AND TRADE BILLS

VOLUME II

NOVEMBER 24, 1987

Printed for the use of the Committee on Ways and Means by its staff

U.S. GOVERNMENT PRINTING OFFICE

79-592

WASHINGTON : 1987

For sale by the Superintendent of Documents, Congressional Sales Office
U.S. Government Printing Office, Washington, DC 20402

H782-1

COMMITTEE ON WAYS AND MEANS

DAN ROSTENKOWSKI, Illinois, *Chairman*

SAM M. GIBBONS, Florida
J.J. PICKLE, Texas
CHARLES B. RANGEL, New York
FORTNEY H. (PETE) STARK, California
ANDY JACOBS, JR., Indiana
HAROLD FORD, Tennessee
ED JENKINS, Georgia
RICHARD A. GEPHARDT, Missouri
THOMAS J. DOWNEY, New York
FRANK J. GUARINI, New Jersey
MARTY RUSSO, Illinois
DON J. PEASE, Ohio
ROBERT T. MATSUI, California
BERYL ANTHONY, JR., Arkansas
RONNIE G. FLIPPO, Alabama
BYRON L. DORGAN, North Dakota
BARBARA B. KENNELLY, Connecticut
BRIAN J. DONNELLY, Massachusetts
WILLIAM J. COYNE, Pennsylvania
MICHAEL A. ANDREWS, Texas
SANDER M. LEVIN, Michigan
JIM MOODY, Wisconsin

JOHN J. DUNCAN, Tennessee
BILL ARCHER, Texas
GUY VANDER JAGT, Michigan
PHILIP M. CRANE, Illinois
BILL FRENZEL, Minnesota
DICK SCHULZE, Pennsylvania
BILL GRADISON, Ohio
WILLIAM M. THOMAS, California
RAYMOND J. McGRATH, New York
HAL DAUB, Nebraska
JUDD GREGG, New Hampshire
HANK BROWN, Colorado
ROD CHANDLER, Washington

ROBERT J. LEONARD, *Chief Counsel*
M. KENNETH BOWLER, *Staff Director*
A.L. SINGLETON, *Minority Chief of Staff*

SUBCOMMITTEE ON TRADE

SAM M. GIBBONS, Florida, *Chairman*

DAN ROSTENKOWSKI, Illinois
ED JENKINS, Georgia
THOMAS J. DOWNEY, New York
DON J. PEASE, Ohio
MARTY RUSSO, Illinois
RICHARD A. GEPHARDT, Missouri
FRANK J. GUARINI, New Jersey
ROBERT T. MATSUI, California

PHILIP M. CRANE, Illinois
BILL ARCHER, Texas
GUY VANDER JAGT, Michigan
BILL FRENZEL, Minnesota
DICK SCHULZE, Pennsylvania

CONTENTS

Page

H.R. 1177: No statements submitted.
H.R. 1188: No statements submitted.
H.R. 1221: No statements submitted.
H.R. 1261: No statements submitted.
H.R. 1262: California Kiwifruit Commission, statement 2
H.R. 1285, 1286, and 1287: Hoechst Celanese Corp., Dieter zur Loye, statement 4
H.R. 1336:
American Iron & Steel Institute, statement 6
Berg Steel Pipe Corp., S.E. Koehle, letter 8
Committee on Pipe & Tube Imports, Roger B. Schagrin, statement and attachments 10
Hoesch America, Inc., Hans J. Damp, letter 19
Hoesch Tubular Products Co., Wolfgang Schmidt, letter 20
H.R. 1360:
American Textile Manufacturers Institute, Inc., Carlos Moore, letter 21
INDA, Association of the Nonwoven Fabrics Industry, John J. Mead, statement and attachment 22
H.R. 1362: Hoechst Celanese Corp., Dieter zur Loye, statement 4
H.R. 1381 and H.R. 1436:
Anderson Clayton Foods, Inc., R.C. Edmondson, letter 28
Australian Dairy Corp., A. Richard DeFelice, statement 30
Committee to Assure the Availability of Casein, Max N. Berry, letter 34
Manville Forest Products Corp., J.D. Halsell, letter 43
National Casein of New Jersey, Elmer E. Evans, letter 45
New Zealand Milk Products, Inc., Edward J. Farrell, statement 47
Quaker Oats Co., William M. Whiteford, statement 53
Schreiber Foods, Inc., Gary T. Dilweg, letter 54
Universal Foods Corp., Cheese Division, Michael C. Irwin, letter 55
Virginia Port Authority, J. Stanley Payne, Jr., statement and attachment 56
H.R. 1415: No statements submitted.
H.R. 1460: Northern Textile Association, statement and attachments 61
H.R. 1462: Crompton & Knowles Corp., statement 69
H.R. 1515:
American Tunaboat Association, August Felando, statement and attachments 71
Association of Southeast Asian Nations, Washington Committee, Hon. Tommy T.B. Koh, Ambassador of Singapore, Hon. Dato Paduka Haji Mohd. Suni Bin Haji Idris, Ambassador of Brunei, Hon. Soesilo Soedarman, Ambassador of Indonesia, Hon. Albert S. Talalla, Ambassador of Malaysia, Hon. Emmanuel Pelaez, Ambassador of the Philippines, and Hon. Arsa Sarasin, Ambassador of Thailand, joint letter 81
Bumble Bee Seafoods, Inc., Patrick W. Rose, letter 83
Coelho, Hon. Tony, a Representative in Congress from the State of California, statement 85
L.A. Motely & Co., on behalf of the Thai Food Processors Association, statement 87
Seafarers International Union of North America, AFL-CIO, Frank Drozak, letter and attachment 92
Star-Kist Foods, Inc., Edward A. Ryan, statement 96
H.R. 1526: BASF Corp., Chemicals Division, Robert G. Thoma, letter 99
H.R. 1527: BASF Corp., Chemicals Division, Robert G. Thoma, letter 101
H.R. 1556: No statements submitted.

FOR IMMEDIATE RELEASE
FRIDAY, MARCH 20, 1987

SUBCOMMITTEE ON TRADE #4
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
1102 LONGWORTH HOUSE OFFICE BLDG.
WASHINGTON, D.C. 20515
TELEPHONE: (202) 225-3627

THE HONORABLE SAM M. GIBBONS (D., FLA.), CHAIRMAN, SUBCOMMITTEE ON TRADE, COMMITTEE ON WAYS AND MEANS, U.S. HOUSE OF REPRESENTATIVES, ANNOUNCES REQUEST FOR WRITTEN COMMENTS ON CERTAIN TARIFF AND TRADE BILLS

The Honorable Sam M. Gibbons (D., Fla.), Chairman of the Subcommittee on Trade, Committee on Ways and Means, U.S. House of Representatives, today announced that the Subcommittee on Trade is requesting written testimony for the record from all interested parties on the miscellaneous tariff and trade bills listed below.

A determination regarding further scheduling of public hearings or other Subcommittee action on any of these bills will not be made until after the close of this public comment period.

The tariff and trade bills on which written testimony will be received are:

Duty Reduction Bill

H.R. 1261 (Mr. Matsui): Relating to the tariff treatment of certain telescopes not designed for use with infra-red light.

Duty Suspension Bills

H.R. 1285 (Mr. Duncan): To suspend temporarily the duty on 3-(4' aminobenzamido) phenyl-beta-hydroxyethyl sulfone (also known as amino sulfon br).

H.R. 1286 (Mr. Duncan): To suspend temporarily the duty on 3,4 diamino phenetole dihydrogen sulfate (also known as diamino phenetole sulfate).

H.R. 1287 (Mr. Duncan): To suspend temporarily the duty on 4-chlor-2-nitro aniline (also known as p-chloro-o-nitro aniline).

H.R. 1362 (Mr. Guarini): To suspend temporarily the duty on acet quinone base.

H.R. 1460 (Mr. Schulze): To extend the temporary suspension of duty on certain textile machines.

H.R. 1462 (Mr. Schulze, et al): To temporarily suspend the duty on certain benzenoid dye intermediates.

H.R. 1526 (Mr. Solomon): To suspend for 3 years the duty on 6-amino-1-naphthol-3-sulfonic acid.

H.R. 1527 (Mr. Solomon): To suspend for 3 years the duty on 2-(4-aminophenyl)-6-methylbenzothiazole-7-sulfonic acid.

H.R. 1556 (Mr. Gradison): To provide for the temporary suspension of the duty on mixtures of phenyl methyl pyrazolone and phenyl carbethoxy pyrazolone, acetoacet-o-chloranilide, R Salt, para nitro ortho toluidine and tobias acid, meta nitro-o-anisidine, para chloro-o-nitroaniline, meta nitro para anisidine and para nitro-o-anisidine.

Duty Increase Bills

H.R. 1262 (Mr. Matsui): Relating to the tariff treatment of Chinese gooseberries (kiwifruit).

H.R. 1336 (Mr. Russo): To correct the tariff rate inversion on certain iron and steel pipe and tube products.

H.R. 1415 (Mr. Vander Jagt and Mr. Goodling): To increase temporarily the duty on apple juice.

H.R. 1515 (Mr. Matsui): To equalize the duties on canned tuna.

Classification Bill

H.R. 1360 (Mr. Frenzel): Relating to the tariff classification of certain plastic sheeting.

Quantitative Restriction, Prohibition, and Embargo Bills

H.R. 1381 (Mr. Solomon): To direct the President to impose certain limitations on the amount of milk protein products that may be imported into the United States.

H.R. 1436 (Mr. Dorgan of North Dakota, et al): To amend the Agricultural Act of 1949 to limit the quantity of milk protein products that may be imported into the United States.

Customs and Other Nontariff Matters

H.R. 1177 (Mr. McCandless): Relating to criminal penalties for violations of the country-of-origin marking provisions of the customs laws.

H.R. 1188 (Mr. Thomas of California, Mr. Matsui, et al): Relating to the tariff treatment of kiwi fruit under the perishable product provisions of the Caribbean Basin Economic Recovery Act and the United States-Israel Free Trade Area arrangement.

H.R. 1221 (Mr. Rangel): To increase the personal exemption from customs duties for returning residents when merchandise is purchased in countries that are beneficiary countries under the Caribbean Basin Initiative.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Persons submitting written comments should submit six (6) copies by the close of business, Friday, May 1, 1987, to Joseph K. Dowley, Chief Counsel, Committee on Ways and Means, U.S. House of Representatives, Room 1102 Longworth House Office Building, Washington, D.C. 20515.

SEE ENCLOSED FORMATTING REQUIREMENTS.

* * * * * * * * * * *

H.R. 1177

Relating to criminal penalties for violations of the country-of-origin marking provisions of the customs laws

No statements submitted.

H.R. 1188

Relating to the tariff treatment of kiwi fruit under the perishable product provisions of the Caribbean Basin Economic Recovery Act and the United States-Israel Free Trade Area arrangement

No statements submitted.

H.R. 1221

To increase the personal exemption from customs duties for returning residents when merchandise is purchased in countries that are beneficiary countries under the Caribbean Basin Initiatives

No statements submitted.

H.R. 1261

Relating to the tariff treatment of certain telescopes not designed for use with infra-red light.

No statements submitted.

H.R. 1262

Relating to the tariff treatment of Chinese gooseberries (kiwifruit)

STATEMENT OF
CALIFORNIA KIWIFRUIT COMMISSION
REGARDING H.R. 1262

BEFORE THE
SUBCOMMITTEE ON TRADE
COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES

REQUEST FOR COMMENTS OF
CERTAIN TARIFF AND TRADE BILLS

The California Kiwifruit Commission represents 1,000 growers who account for over 98% of all United States production.

The Commission strongly supports the prompt enactment of H.R. 1262 which proposes to add a de minimus import duty of one-tenth (1/10th) of a cent per pound on imports of kiwifruit. The duty rate on Kiwifruit was bound at 8.5 percent ad valorem in the GATT during the Tokyo Round of Trade Negotiations.

The major source of imports of kiwifruit into the United States is New Zealand. New Zealand supplies over 95% of the imports of kiwifruit into the United States. Until recently, imports of kiwifruit from New Zealand helped to supply the domestic market during the domestic growers' "off season." Recently, however, the New Zealand kiwifruit season and the domestic kiwifruit season have begun to overlap and during past years New Zealand expanded its market penetration beyond the "off season". For example, in 1982, 4,086,847 pounds of kiwifruit was imported from New Zealand. Between 1982 and 1985 imports from New Zealand increased by more than fourfold as imports reached a level of 17,675,401 pounds in 1985. In 1986, imports of kiwifruit from New Zealand increased further to a level of 18,421,899 pounds. Accordingly, the United States has developed into a prime export market for New Zealand kiwifruit. Extensive European Community subsidy programs have caused kiwifruit production to rapidly escalate in France, Italy and Spain. Twenty to twenty-five percent of the U.S. kiwifruit production has been exported to EC member countries. The price advantage of EC producers will cause a reduction of U.S. exports thus making the U.S. domestic market essential for growers to remain profitable. The surge in New Zealand's exports of kiwifruit have caused domestic growers to market their expanding production in a shorter season.

U.S. growers of kiwifruit are concerned about this development because New Zealand growers have an unfair advantage over domestic growers due to the fact that the New Zealand government has subsidized exports of kiwifruit to the United States. For example, subsidies have been provided by way of New Zealand's Export Performance Taxation Incentive

Program. Under this program, kiwifruit exporters received a tax credit based on the f.o.b. value of their exports. The California Kiwifruit Commission thus believes that it is essential that the unfair subsidies be off-set through the imposition of countervailing duties.

The U.S. countervailing duty law imposes a duty to offset unfair subsidies conferred by foreign governments. Under the U.S. countervailing duty law, the Commerce Department determines the magnitude of the subsidy. In addition, for some but not all countries, the International Trade Commission (ITC) makes an injury determination as well. The ITC must find that the subsidized imports have caused some actual or threatened "material injury" to a competing U.S. industry. Such an injury test applies when the case involves a country (a) which has signed the GATT Subsidies Code, (b) which has concluded an agreement with the United States committing itself to obligations similar to those in the GATT Subsidies Code, or (c) which is a member of GATT whose imports in question enter the U.S. duty free. The first two groups of countries receive an injury test by virtue of the fact that they are qualifying countries or "countries under the agreement" within the meaning of 19 U.S.C. § 1671. GATT-member countries sending products duty free receive an injury test by virtue of 19 U.S.C. § 1303 (a)(2). For all other countries, there is no injury test by virtue of 19 U.S.C. § 1303(b).

Since New Zealand is not considered by the United States as a "country under the agreement," imports from New Zealand normally would not be entitled to an injury test, if a countervailing duty petition were to be filed by the domestic kiwifruit growers. However, since imports of kiwifruit currently enter the United States duty-free and New Zealand is a member of GATT, New Zealand would be entitled to an injury test if a countervailing duty petition against imports of subsidized kiwifruit from New Zealand was filed.

The California Kiwifruit Commission believes that, due to its limited resources, the requirement of an injury investigation and determination by the ITC acts as an insurmountable obstacle to its attempt to off-set the unfair subsidies provided to the New Zealand kiwifruit growers. Accordingly, the Commission believes that it would be in its best interest to seek the imposition of a de minimus import duty of one-tenth of a cent per pound on imports of kiwifruit. Since the amount of the duty is de minimus, it would not pose an impediment to trade. For example, if the proposed duty had been assessed on all imports entered during 1986, the total duty collected for the entire year would have amounted to approximately $18,420. However, the imposition of de minimus duty on imports of kiwifruit would mean that New Zealand would no longer be entitled to an injury test by the ITC. The only requirement would be for the U.S. Department of Commerce to determine the existence and the exact magnitude of the subsidies involved. If no subsidies are involved, a countervailing duty order would not be issued.

The imposition of a de minimus import duty would also act to discourage the New Zealand government from imposing new subsidies on kiwifruit and encourage the continued phase out of current subsidy programs.

H.R. 1285

To suspend temporarily the duty on 3-(4'aminobenzamido) phenyl-beta-hydroxyethyl sulfone (also known as amino sulfon br)

H.R. 1286

To suspend temporarily the duty on 3,4 diamino phenetole dihydrogen sulfate (also known as diamino phenetole sulfate

H.R. 1287

To suspend temporarily the duty on 4-chlor-2-nitro aniline (also known as p-chloro-o-nitro aniline)

H.R. 1362

To suspend temporarily the duty on acet quinone base

STATEMENT OF D. ZUR LOYE
VICE CHAIRMAN
HOECHST CELANESE CORPORATION

ON: H.R.1287, H.R.1285, H.R.1362, H.R.1286 - BILLS TO SUSPEND TEMPORARILY CUSTOMS DUTIES ON IMPORTS OF 4-CHLORO-2-NITROANILINE (also known as p-CHLORO-o-NITROANILINE), 3-(4'AMINOBENZAMIDO) PHENYL-BETA-HYDROXYETHYL SULFONE (also known as AMINOSULFON BR), 2,5-DIMETHOXYACETANILIDE (also known as ACETQUINONE BASE), and 3,4-DIAMINOPHENETOLE DIHYDROGENSULFATE (also known as DIAMINO-PHENETOLESULFATE).

Hoechst Celanese Corporation is a Fortune 100 United States chemical company making petrochemicals, plastics, fibers, film, pharmaceuticals, and other allied chemical products at thirty-three United States plants, employing approximately 25,000 people. Hoechst Celanese Corporation is a major supplier to the textile industry in this country.

Hoechst Celanese Corporation imports the four chemical products described below which are the subject of the pending House bills. They are not produced in the United States. Present duties imposed cause undue hardship to Hoechst Celanese Corporation. Because foreign competitors continue to produce and dye textiles free of U.S. duties, thereby placing American business and the American textile industry at a competitive disadvantage, Hoechst Celanese Corporation continues to support and request the suspension of duty on these four materials.

3-(4'Aminobenzamido) phenyl-beta-hydroxyethyl sulfone (also known as aminosulfon BR) is an intermediate used for reactive dyestuffs which are used to dye cotton and wool, but primarily cotton.

4-chloro-2-nitroaniline (also known as p-chloro-o-nitroaniline), and 2,5-dimethoxyacetanilide (also known as acetquinone base) are used to make pigments which are used in paints, plastics, and textile printing.

3,4-diaminophenetole dihydrogensulfate (also known as diamino-phenetolesulfate) is used to make a vat dyestuff, used primarily to dye cotton.

Cotton textiles are known to be heavily exported by the Chinese, Japanese, and Indian nations to the United States at low cost with little, if any, duty applied to the imported materials. These four chemicals are not produced in the United States. Duties presently charged impair competition at the U.S. chemical dye and pigment manufacturer and the U.S. textile manufacturer level and erode employment opportunities in both industries to the benefit of foreign textile producers.

Suspension of the duties on these four chemicals will not cause a serious impact upon government revenue.

H.R. 1336

To correct the tariff rate inversion on certain iron and steel pipe and tube products

STATEMENT OF AMERICAN IRON AND STEEL INSTITUTE

The American Iron and Steel Institute (AISI) on behalf of its domestic member companies submits the following comments on H.R. 1336. The purpose of this legislation is to correct a technical problem termed "duty rate inversion" on certain iron and steel pipe and tube products. This problem, explained below, has had a devastating impact on tubular goods producing companies, their employees and communities, and we believe that this legislation is vitally needed in order to solve it.

The inversion problem arose in the following circumstances. As a general rule, steel duty rates on higher value products are greater than on lower value products. For example, in the case of pipe and tube products, the duty rates are greater on alloy and stainless than on carbon grade products, and plain-end tubes carry lower duty rates than those that have been threaded and coupled. Duty rates as between sheet and plate and tubular products were differentiated on this basis in the past, with both sheet and plate products and tubular goods dutiable at a specific rate per pound, and sheet and plate products being dutiable at a lower rate than tubular goods. In 1960, however, the tariffs on sheet and plate products were changed to an ad valorem rate, while duties on tubular goods remained on a cents-per-pound basis until 1982. It was only in 1982 that the fixed duty rate per pound for tubulars was converted into an ad valorem rate. In the meantime, however, as a result of the inflation of the 1970's, what once had been a high rate of duty on tubulars on a per pound basis had been progressively reduced to ad valorem rates substantially lower than those for sheet and plate products, thus creating a duty rate inversion in respect to these products.

Because welded tubular goods are produced from sheet and plate products, this duty inversion has encouraged the importation of the higher valued tubular goods to the detriment of both tubular producers and the sheet and plate producers who supply their products as raw material to the tubular producers. Imports of pipe and tube products have grown from 26.1% in 1979 to nearly 60% of the U.S. market in 1984, prior to the President's Steel Program. And the import penetration rate has remained in excess of 50% for all pipe and tube during the first two years of the Program. This rate is more than twice the import penetration rate for all steel products.

We also believe that, because the inverted duty encourages importation of tubular goods, countries subject to the President's Steel Program have an incentive to utilize the flexibility provisions of their arrangements to increase exports of pipe and tube products. Among the Arrangement countries that have already used this flexibility to shift exports from sheet and plate into pipe and tube are Japan, Korea and European Community countries.

It is important to note that our major steel trading competitors, including the E.C., Japan, Korea, and Canada have import duties on tubular products which are equal to or higher than those for sheet products.

The AISI supports H.R. 1336 and urges that it be passed. In addition, we would also support any amendment which would increase the scope of this legislation to include specialty steel products.

BERG STEEL PIPE CORP.

Caller Box 2029 • Panama City, Florida 32402 • Telephone 904/769-2273 • Telex 702 410

S. E. "SIGGY" KOEHLE
President

April 29, 1987

Honorable Sam M. Gibbons
Chairman,
Subcommittee on Trade
House Committee on Ways and Means
U. S. House of Representatives
1102 Longworth Building
Washington, D. C. 20515

Re: Comments on H. R. 1336

Dear Chairman Gibbons:

Berg Steel Pipe Corp., a manufacturer of large diameter steel pipe in Panama City, Florida, appreciates the opportunity afforded by the Trade Subcommittee to comment on H. R. 1336. This bill is intended to increase customs duties on imports of certain steel pipe and tube products, in order to correct the "inverted" tariff relationship between steel pipe and tube products and carbon steel sheet and plate. The duty rates on imported pipe products are generally significantly lower than the flat-rolled products out of which these products are made.

A duty inversion of the type which H. R. 1336 addresses generally encourages importation of higher-value finished products, instead of lower-value components or raw materials. There is no serious question that the inverted duty problem in the pipe and tube industry has had the effect of encouraging imports of pipe. This problem exists in the large diameter pipe market in which Berg Steel participates, as well as small diameter markets.

While we perceive a similar problem to that perceived by Representative Russo and Senator Heinz, Berg Steel cannot support H. R. 1336 in its present form. The bill calls for increases in

tariffs which were negotiated as to their present levels in the Tokyo Round of Multilateral Tariff Negotiations in the late 1970's. As a result of those negotiations, the tariffs were changed from specific duties to ad valorem duties, effective January 1, 1982.

A unilateral increase in "bound" tariffs will result in claims for compensation from our trading partners. The value of pipe and tube imports in the affected classifications was $995 million in 1986. Any responsible attempt to solve the tariff inversion problems experienced by pipe producers must, in our view, take into account the likelihood of compensation. In this instance, the bill could be amended to reduce tariffs on carbon steel plate to affect an amount of trade similar to that which would be affected by the unilateral increase.

In addition, it must be recognized that United States law currently contains a procedure for removing disruptive tariff inversions without any need to subject the United States to calls for compensation. The Foreign-Trade Zones Act, 19 U. S. C. §§ 81a - 82u, provides for the creation of foreign-trade zones in which users could defer payment of duty until flat-rolled steel products have been transformed into pipe, subject to the tariff classifications and duty rates applicable to pipe. In this way, U. S. producers using U. S. labor may obtain the same duty rate available to their foreign competitors. Since 1982, Berg Steel has operated within Foreign-Trade Zone 65 in Panama City, Florida. Other pipe producers could conceivably obtain similar benefits. The Foreign-Trade Zones Board would be able to assure that the judicious use of foreign-trade zones would not result in increased levels of flat-rolled steel imports into the United States.

Also, the current structure of the bill does not eliminate the tariff inversion between carbon steel plate (TSUS No. 607.66, dutiable in 1987 at 6.0 percent) and large diameter pipe (currently dutiable at 1.9 percent, proposed to increase to 4.9 percent under the bill). The bill should be reviewed carefully to make sure that, if Congress determines that removal of the tariff inversion is appropriate it does the job thoroughly. Berg would prefer to see a reduction in plate tariffs as opposed to an increase in pipe tariffs, because an increase in pipe duty rates for the products Berg manufactures would directly increase Berg's costs.

Berg Steel appreciates the opportunity to comment on this legislation. We stand ready to assist the Subcommittee in its consideration of H. R. 1336.

Very truly yours,

S. E. Koehle
President

STATEMENT BY
ROGER B. SCHAGRIN

EXECUTIVE DIRECTOR AND GENERAL COUNSEL
THE COMMITTEE ON PIPE AND TUBE IMPORTS

ON H.R. 1336

A BILL TO CORRECT THE TARIFF INVERSION
ON STEEL PIPE AND TUBE

The Committee on Pipe and Tube Imports (CPTI) would like to express its full and unqualified support for H.R. 1336, a bill to correct the tariff rate inversion on certain iron and steel pipe and tube products. This legislation was introduced by Congressman Marty Russo (D-IL-3) in February, 1987. Senator John Heinz (R-PA), submitted a similar bill, S. 783, in the Senate in March, 1987.

This legislation concerns a fundamental principle of equity. It would correct a mistake in the Tariff Schedules of the United States and would serve to level the playing field so that the U.S. pipe and tube industry can compete on a fair basis. As a general rule, the Tariff Schedules of the United States (TSUS) apply higher tariffs on higher valued products. In other words, as value is added to a manufactured product, the tariff rate increases. This is not the way, however, that steel pipes and tubes are treated in the TSUS. The raw materials used in the production of steel pipes and tubes, sheet and plate, carry tariffs that are significantly higher than the tariffs on pipes and tubes.

The CPTI is a trade association of steel pipe and tube producers. Our organization is primarily concerned with the serious import problems troubling our industry. The inverted tariff is of major concern to our organization because of the advantage it provides our foreign competition and other negative implications for trade in our product area. We believe that import penetration of pipe and tube products is so much higher than imports of all steel products because of this inversion.

I would like to outline for the committee how the inverted tariff came to exist. From 1930 to 1959, plate and sheet products were designated as paragraphs 307 and 308 of the Tariff Act and described by their thickness. In 1960, the U.S. began converting to the TSUS sections in which plate and sheet are classified according to their manufacturing processes, i.e: hot rolled, cold rolled or galvanized.

The tariff inversion occurred as an accident of inflation after 1960 when the method of describing plate and sheet was revised and duties were changed from a specific rate to an ad valorem rate. For example, in 1952 the duty rate for sheet was .175¢/lb. compared to the higher duty of .375¢/lb. for pipe 3/8 inch or more in diameter. In 1960 the tariff for sheet was increased to 10% ad valorem while the duty for pipe remained at the 1958 specific rate of .30¢/lb. With steel selling for approximately $50 a ton in 1958, at the time of the tariff revision, the duty on sheet was approximately $5 a ton compared to a $6 a ton duty on pipe.

During the inflationary era of the 1970's, the specific rate duty for pipe products could not keep up with the tariffs on sheet and plate which were based on the increasing value of the steel. By 1975, steel prices had more than quadrupled, and the duties on steel sheet and plate were more than $20 a ton compared to the constant $6 a ton on pipe. In 1982, pipe and tube duties were changed to an ad valorem rate of .5% and 1.9%. In the same year, plate and sheet

duties ranged from 7.1% to 8.4% A history of duties for plate and sheet and pipes and tubes from 1930 to 1987 is attached for the information of the subcommittee.

A tariff inversion of the sort present on steel tubular products has negative implications for U.S. manufacturing industries. It is an anomaly under normal U.S. tariff structure and encourages the retention of the value added offshore. It is important to note that our major trading partners embrace the general rule that higher value-added products bear higher duties. More specifically, our trading partners apply lower tariffs to imported sheet steel than imported pipes and tubes. The European Community applies tariff rates of 6%-7% to imported steel sheet, while applying rates of 9%-10% to imported steel pipes and tubes. Japan applies rates of 5%-5.7% to sheet, and 5.7%-8.8% to pipes and tubes. Canada applies rates of 5.5% for sheet, and 10.2% for pipes and tubes. This trading situation creates problems for U.S. pipe and tube producers who compete with foreign producers in these and other nations, particularly Canada. Correcting the inversion will erase this inequity and permit U.S. pipe and tube producers to compete on equal footing.

Foreign competition, and, in particular imports to the United States, have had a devastating effect on the steel pipe and tube industry. I would like provide the committee with an outline of the industry and the import problem.

The pipe and tube industry as a whole is made up of integrated and non-integrated producers in nearly every state in the union with Illinois, Pennsylvania, Ohio, Michigan, California and Texas accounting for the bulk of production. The industry currently employs 25,000 workers and is a $4-5 billion industry. The CPTI is a trade association of steel pipe and tube producers. Our members have 50 facilities in 16 states employing 15,000 workers. A list of our member companies is attached for the Committee's information.

The pipe and tube segment of the domestic steel industry currently in business operates some of the most modern and efficient mills in the world. It has continually invested in its facilities to both lower the costs of production and advance its capability to produce more sophisticated products. CPTI companies produce the full range of carbon pipe and tube products including oil country tubular goods, standard and line pipe, mechanical, structural and pressure tubing.

Steel pipes and tubes are among the most important basic industrial materials of the 20th century. These products are an essential component in the infrastructure of America. They are a key element in the systems which bring us water, energy, and electricity. These products are vital components of military and civilian powerplants throughout the country, including tubing for nuclear reactors. Oil country tubular goods (OCTG) which are used to retrieve petroleum or natural gas from the ground or ocean deposits are critical to domestic energy independence. Pipe and tube products are also components of military vehicles, tanks, warships, and other sophisticated military equipment.

The CPTI has been primarily concerned with the serious import problems troubling our industry. The inverted tariff is of major concern to our organization because of the advantage it provides our foreign competition and other negative implications for trade in our product area which will be described in this statement. In the past decade, many pipe facilities have gone bankrupt or were shutdown because of imports. Imports have displaced about 15,000 workers in the pipe and tube industry.

While imports currently account for approximately 24% of all steel products, pipe and tube imports are in excess of 50% of the U.S. market. In 1979, import penetration of all pipe and tube products amounted to 26.1%. By 1984, prior to the steel VRA program, imports of steel pipe and tube products had escalated dramatically to account for nearly 60% of the market.

While the VRA program has helped reduce import penetration, it has also encouraged the shifting of imports into the higher valued pipe and tube products. The steel VRAs contain flexibility provisions allowing a degree of shifting among the various steel product categories. Among the VRA countries that have already used the flexibility provisions to shift exports from sheet into pipe and tube are Japan, Korea and the European Community. The lower duty encourages this shifting. Correcting the inverted tariff will eliminate the incentive for shifting to occur.

Finally, CPTI companies are primarily consumers of basic steel mill products, such as steel sheet and plate. We purchase domestic and imported raw materials to produce pipes and tubes for a variety of end users. Our companies located on the West Coast buy imported sheet and must pay the higher duty for these raw materials resulting in an higher cost for their product compared to the cost of finished pipe that is imported at the lower duty. The inverted tariff depresses pipe and tube prices in comparison to sheet prices, squeezing profit margins and increasing losses for pipe and tube producers.

Competition in this industry is fierce but our companies can and do compete with their foreign counterparts in spite of the fact that foreign companies have utilized unfair trade practices to gain a foothold in our market. Our organization has actively pursued remedies for these unfair trade practices under the antidumping and countervailing duty laws. Numerous successful petitions with significant dumping and subsidy findings were withdrawn pursuant to the President's VRA program, but if these findings were still in effect, many countries would be unable to sell in our market due to the magnitude of the unfair trade discovered through these cases.

I would like to address some objections which have been raised to H.R. 1336 and its predecessor, H.R. 4565. Mr. Lewis Leibowitz, Counsel to Berg Steel Pipe Corp. and Hoesch America, Inc. raised objections to this legislation last year, stating that a bill to correct the tariff rate inversion is unnecessary because the Foreign Trade Zone (FTZ) laws are designed to correct tariff inversions on a case-by-case basis.

Berg's position implies that all domestic manufacturers of steel pipe and tube products should make application for FTZs to import their raw materials and avoid the higher duty on these raw materials. Several problems arise with this argument. In order to accomplish the goals set out in H.R. 1336, it would require every domestic steel pipe and tube producer to make application for a FTZ. It is highly unlikely that the FTZ board would grant an onslaught of FTZs for the U.S. pipe and tube industry. This is particularly troublesome since the last U.S. pipe and tube manufacturer to do so, UNR-Leavitt, was granted its FTZ <u>for export only</u>. Mr. Leibowitz was counsel to UNR-Leavitt for its application. The FTZ took this action recognizing that it would be granting this company an unfair advantage over its domestic competitors. Berg Steel Pipe is the only U.S. company that currently enjoys this advantage.

Congress created FTZs for the express purpose of increasing and encouraging exports--not to evade tariff inversions. The theory behind FTZs is similar to the theory behind the tariff schedules. FTZs were created to encourage the importation of raw materials for further processing in the U.S. and to provide an advantage for

companies that export the finished goods to other countries. Companies like Berg that use their FTZs to manufacture products destined for the U.S. market are taking advantage of a loophole in the law. FTZs have been criticized for this reason.

In addition, for the well-being of the entire domestic steel industry, it is ridiculous to suggest that the domestic pipe and tube industry should use FTZs and purchase only imported raw materials for conversion into pipe in order to avoid the tariff inversion. The consequences for the basic steel producers would be devastating if one of their largest customers, the U.S. pipe and tube industry, began sourcing all of its raw materials from foreign producers.

I would also like to emphasize that H.R. 1336 would not put Berg or Hoesch at a disadvantage vis-a-vis competition with imports because foreign producers and importers will pay the higher duty as well. H.R. 1336 will remove the unique competitive advantage these companies have over their domestic competitors and will provide a level playing field so that other U.S. producers will have an equal opportunity to compete with Berg and Hoesch to fabricate in the U.S.

Finally, Berg is concerned that the current structure of the bill does not eliminate the tariff inversion between carbon steel plate and large diameter pipe which Berg produces. We recommend that Representative Russo reintroduce the bill to accomplish that goal.

Last year, USTR objected to this legislation because pipe and tube duties are bound by the GATT and according to USTR, would require the U.S. to compensate its trading partners in the amount of $2 billion. According to Census statistics, the value of all imported pipe and tube products is less than $1 billion. It would be impossible for the duty increase to be more than the value of all imports. If all countries requested compensation for this duty correction, our calculations reveal that the compensation figure would be approximately $30 million. I would like to emphasize that contrary to popular belief, the GATT does not preclude raising duties. Rather, the GATT recognizes that in certain instances it may be necessary for countries to increase duties and it contains procedures to accomplish that goal. In this case, Congress can correct a harmful inverted tariff and instruct the USTR to negotiate compensation where necessary in such a way that will diffuse the burden over a wide variety of products.

H.R. 1336 and S. 783 are not a plea for protection or special treatment. The legislation is designed to correct an inadvertent tariff inversion that has contributed to the declining fortunes of the domestic pipe and tube industry. H.R. 1336 and S.783 provide an equitable solution to a serious problem without doing so at the expense of any other sector of the steel industry. The basic steel industry, through the American Iron and Steel Institute, and the United Steelworkers Union also support this legislation on the grounds of its fundamental fairness. H.R. 1336 and S. 783 provide for an equitable and effective administration of the tariffs on pipe and tube products consistent with the general policies behind the tariff schedule, and the CPTI respectfully requests that the Subcommittee on Trade act favorably on Representative Russo's bill.

HISTORY OF DUTIES FOR PIPE AND TUBE
1930-1987
(% ad valorem)

Commodity	1930	1948	1958	TSUS No.[1]	1960	1982	1983	1984	1985	1986	1987
Par. 328											
Lap-welded, butt-welded, seamed, or jointed iron or steel tubes, pipes, flues, and stays, not thinner than .065 inch and in diameter:											
Under 1/4 inch	1.75¢/lb.	.875¢/lb.	N/C[2]	610.30	N/C	6.2%	5.8%	5.5%	5.2%	4.8%	4.5%
1/4 or more but under 3/8 inch	1.25¢/lb.	.625¢/lb.	N/C	610.31	N/C	3.1%	3.0%	2.9%	2.8%	2.7%	2.6%
3/8 inch or more	0.75¢/lb,	.375¢/lb.	.30¢/lb.	610.32	N/C	1.9%	N/C	N/C	N/C	N/C	N/C
				610.39[3]	.1¢/lb.	.5%	N/C	N/C	N/C	N/C	N/C

[1]The U.S. began converting to the tariff schedules in 1960.
[2]No change.
[3]Oil well casing & structural tubing are accounted for in 610.39.

HISTORY OF DUTIES FOR PLATE AND SHEET
1930-1987
(% ad valorem)

Commodity	1930	1948	1952
Par. 307			
Boiler or other plate iron or steel, not thinner than .109 inch, and skelp, sheared or rolled in grooves:			
Valued at not over 3 cents per lb.	.50¢/lb.	10%, but not less than .175¢ per lb.	.175¢/lb.
Valued at over 3 cents per lb.	20%	10%	N/C[1]
Par. 308			
Sheets of iron or steel, common or black, of whatever dimensions, and skelp iron or steel:			
Valued at 3 cents or less per pound:			
Under .109 but not under .038 inch	.45¢/lb.	10% but not less than .175¢/lb.	.175¢/lb.
Under .038 but not under .022 inch	.55¢/lb.	10% but not less than .225¢/lb.	.225¢/lb.
Under .022 but not under .010 inch	.75¢/lb.	.30¢/lb.	N/C
Under .010 inch	.85¢/lb.	.35¢/lb.	N/C
Corrugated or crimped	.75¢/lb.	.30¢/lb.	N/C
Valued over 3 cents per lb.	20%	10%	N/C
Corrugated or crimped	20%	N/C	N/C

Commodity	TSUS No.[1]	1960	1965	1968	1970	1971	1980	1982	1983	1984	1985	1986	1987
Black plate:													
Corrugated or crimped	607.62	10%	N/C	9.5%	9%	N/C	N/C	8.4%	7.8%	7.3%	6.7%	6.1%	5.5%
Other	607.64	10%	8%	9.5%	9%	N/C	8%	7.2%	6.4%	5.6%	4.8%	4.0%	3.2%
Hot rolled plate	607.66	10%	8%	7.5%	N/C	N/C	N/C	7.3%	7.0%	6.8%	6.5%	6.3%	6.0%
Hot rolled sheet	607.67	10%	8%	7.5%	N/C	N/C	N/C	7.1%	6.6%	6.2%	5.8%	5.3%	4.9%
Cold rolled plate & sheet	607.83	.1¢/lb. + 10%	.1¢/lb. + 8%	.08¢/lb. + 8%	.04¢/lb. + 8%	8%	N/C	7.5%	7.0%	6.6%	6.1%	5.6%	5.1%
Coated or plated w/ metal:													
Not over 10¢/lb.: Plates & sheets	608.07	.1¢/lb. + 10%	.1¢/lb. + 8%	9%	N/C	N/C	N/C	8.4%	7.8%	7.3%	6.7%	6.1%	5.5%
Over 10¢/lb.:													
Plates	608.11	.1¢/lb. + 10%	.1¢/lb. + 8%	N/C	N/C	N/C	N/C	8.2%	7.6%	7.1%	6.5%	6.0%	5.4%
Sheets	608.13	.1¢/lb. + 10%	.1¢/lb. + 8%	N/C	N/C	N/C	N/C	8.3%	7.9%	7.6%	7.2%	6.9%	6.5%

[1]The U.S. began converting to the Tariff Schedules in 1960.

THE COMMITTEE ON PIPE AND TUBE IMPORTS

Allied Tube & Conduit Corp.
16100 S. Lathrop
Harvey, IL 60426

Allied Tube & Conduit Corp.
11350 Norcom Rd.
Philadelphia, PA 19154

Allied Tube & Conduit Corp.
Barnett Shoals Road
Watkinsville, GA 30677

Allied Tube & Conduit Corp.
P. O. Box 277
Antioch, CA 94509

Allied Tube & Conduit Corp.
11539 N. Houston Rosslyn Road
Houston, TX 77088

American Tube Co., Inc.
P.O. Box 6633
Phoenix, AZ 85005

American Tube Co., Inc.
Kokomo Works
101 East Broadway
Kokomo, IN 46901

Bellville Tube Division
(Division of Quanex Corp.)
P.O. Box 220
Bellville, TX 77418

Bull Moose Tube Co.
12837 Flushing Meadow Drive
St. Louis, MO 63131

Bull Moose Tube Co.
P.O. Box 219
Trenton, GA 30752

Bull Moose Tube Co.
P.O. Box 56
Chicago Heights, IL 60411

Century Tube Corp.
P.O. Box 7612
Pinebluff, AR 71611

Copperweld Tubing Group
Four Gateway Center
Suite 2200
Pittsburgh, PA 15222

Copperweld Tubing Group
110 Parkway View Drive
Pittsburgh, PA 15205

Gulf States Tube
(Division of Quanex Corp.)
P.O. Box 952
Rosenberg, TX 77471

Hannibal Industries, Inc.
3851 Santa Fe Avenue
Los Angeles, CA 90058

Keystone Pipe Threading & Testing
(Div. of Pittsburgh Tube Co.)
125 Pillow Street
Butler, PA 16001

Laclede Steel Company
10 Broadway
St. Louis, MO 63102

Laclede Steel Company
P. O. Box 2576
Alton, IL 62002-9011

Maneely-Illinois, Inc.
(Div. of Wheatland Tube)
4435 S. Western Blvd.
Chicago, IL 60609

Maruichi American Corp.
11529 S. Greenstone Avenue
Santa Fe Springs, CA 90670

Maverick Tube Corp.
400 Chesterfield Center
Suite 310
Chesterfield, MO 63017

Maverick Tube Corporation
P. O. Box 696
Union, MO 63084

Michigan Seamless Tube
(Div. of Quanex Corp.)
400 McMann St.
South Lyon, MI 48178

Ohio Steel Tube Co.
(Div. of Copperweld)
175 Mansfield
Shelby, OH 44875

Omega Tube and Conduit Corp.
(Div. of Western Tube and Conduit)
8523 Frazier Pike
Little Rock, AR 77206

P & H Tube
(Div. of Southwestern Pipe)
P.O. Box 5217
Bossier City, LA 71010

Pittsburgh Tube Co.
P.O. Box 1
Jane Lew, WV

Pittsburgh Tube Co.
P.O. Box 9 - Route 24
West Fairbury, IL 61739

Pittsburgh Tube Co.
P.O. Box 326
Darlington, PA 16115

Pittsburgh Tube Co.
2060 Pennsylvania Avenue
Monaca, PA 15061

Quanex Corp.
Atlantic Tube Division
20 Harmich Rd.
South Plainfield, NJ 07080

Quanex Corp.
17177 N. Laurel Park Drive
Suite 307
Livonia, MI 48152

Regal Tube Co.
(Div. of Copperweld)
7401 S. Linder
Chicago, IL 60638

Sawhill Tubular Division
Cyclops Corp.
P.O. Box 11
Sharon, PA 16161

Sedco Products of Florida, Inc.
(Div. of Wheatland Tube)
Stadium Road & Bennett St.
Auburndale, FL 33823

As of 5/87

Seminole Tubular Products Co.
(Div. of Wheatland Tube)
5000 Northwest 37th Ave.
Miami, FL 33142

Seminole Tubular Products Co.
(Div. of Wheatland Tube)
9208 Jeffrey Drive
Cambridge, OH 43725

Seminole Tubular Products Co.
(Div. of Wheatland Tube)
5601 Canal Street
Houston, TX 77060

Sharon Tube Co.
134 Mill Street
Sharon, PA 16146

Southwestern Pipe, Inc.
P.O. Box 2002
Houston, TX 77252

Tex-Tube Division
Cyclops Corp.
P.O. Box 7705
Houston, TX 77007

UNR-Leavitt
1717 W. 115th Street
Chicago, IL 60643

UNR-Leavitt
4923 Columbia Ave.
Hammond, IN 46320

UNR-Leavitt
13901 S. Western Avenue
Blue Island, IL 60460

UNR-Leavitt
211 Industrial Drive North
P. O. Box 699
Gluckstadt, MS 39110

Welded Tube Company of America
1855 E. 122nd Street
Chicago, IL 60633

Welded Tube Company of America
1818 Market Street
36th Floor
Philadelphia, PA 19103

Western Tube & Conduit
2001 East Dominguez St.
P. O. Box 2720
Long Beach, CA 90801-2720

Wheatland Tube Corp.
Council & Railroad Avenues
Wheatland, PA 16161

HOESCH

HOESCH AMERICA, INC. ONE RAVINIA DRIVE SUITE 1100 ATLANTA, GEORGIA 30346
TELEX: 54-9505 (WU) 261399 (RCA) PHONE (404) 399-5500 TELEFAX (404) 399-0731 CABLE: HOESCH AM

April 30, 1987

Honorable Sam Gibbons
Chairman
Subcommittee on Trade
House Committee on Ways and Means
Room 1102, Longworth House Office Building
Washington, DC 20515

Dear Chairman Gibbons:

Hoesch America, Inc., of Atlanta, Georgia, is pleased to submit these comments on H.R. 1336, which has been referred to the House Ways and Means Committee for consideration. H.R. 1336 would increase tariff rates on pipe and tube products of various types. For example, certain plain end oil country tubular goods ("OCTG") would increase in duty from .5 percent to 4.9 percent, which would eliminate the "inverted duty" relationship between carbon steel sheet, the raw material for welded oil country tubular goods, and the OCTG pipes themselves. This bill runs contrary to the trend of reducing tariffs by international agreement, which has prevailed for the last four decades.

Hoesch America, Inc., an affiliate of Hoesch AG of Germany and a major U.S. importer of steel products, strongly opposes this bill, because it would increase costs, would be inconsistent with the U.S.-E.C. arrangement on steel products, and would be largely ineffective.

Costs would increase for exporters of steel pipe and tube products to the United States if this bill were adopted. These costs would either be absorbed by the exporter, or passed on to the customers, or a combination of both. To the extent that the tariffs were absorbed, there would be no effect on trade in pipe and tube products, and thus no benefit for the proponents of this bill. However, the U.S.'s trading partners no doubt would demand compensation for these tariff increases, which are contrary to GATT agreements.

To the extent that cost increases are passed on, purchasers of pipe and tube products would be unfairly penalized. The oil industry, which buys a large portion of pipe products, such as OCTG, is ill-prepared for tariffs which could further increase oil exploration costs.

The U.S.-E.C. Steel Arrangement on pipes and tubes, originally concluded in January 1985 and renewed in December 1985, contemplates export restraints on steel by quantity. Imposing a higher tariff on steel products already restricted by the steel arrangement would add an unforeseen and improper barrier to trade in these products for the duration of the steel arrangement.

Finally, the tariff increases may not result in reduction of pipe imports, regardless of who bears the increased costs. There is no guarantee that tariff increases would reduce imports below the levels dictated by the bilateral steel arrangements.

We urge the Ways and Means Committee to reject this anachronistic approach to steel trade. We appreciate the opportunity to comment on this important issue.

Very truly yours,

HOESCH AMERICA, INC.

Hans J. Damp
President

HTP HOESCH TUBULAR PRODUCTS COMPANY
P.O. BOX 779
BAYTOWN, TEXAS 77522-0779
(713) 383-2603 • TELEX 762608-HOESCH BTON • TELEFAX (713) 573-1456

April 30, 1987

The Honorable Sam Gibbons
Chairman
Subcommittee on Trade
House Committee on Ways and Means
Room 1102, Longworth House Office Building
Washington, D.C. 20515

Dear Chairman Gibbons:

Hoesch Tubular Products Company, of Baytown, Texas ("HTP") is pleased to submit these comments on H.R. 1336, which has been referred to the House Ways and Means Committee for consideration. H.R. 1336 would increase tariff rates on steel pipe and tube products. For example, certain plain end oil country tubular goods ("OCTG") would increase in duty from .5 percent to 4.9 percent, which would eliminate the "inverted duty" relationship between carbon steel sheet, the raw material for welded oil country tubular goods, and the OCTG pipes themselves.

HTP strongly oppose this bill, because it would increase costs, would be inconsistent with the U.S.-E.C. arrangement on steel products, and would be largely ineffective.

HTP employs, at full production, approximately 200 persons in finishing Hoesch OCTG imported from the parent company in Germany. HTP's survival was assured only after a long and difficult negotiation between the U.S. and European Community regarding OCTG quotas available for HTP's finishing operations. This bill would increase HTP's net cost by 4.4 percent, jeopardizing HTP's economic viability and the jobs of 200 Texas employees.

The U.S.-E.C. Steel Arrangement on pipes and tubes, originally concluded in January, 1985, and renewed in December, 1985, requires quantitative export restraints on steel. Imposing a higher tariff on steel exports already restricted by the steel arrangement would add an unforeseen and improper barrier to trade in these products.

We urge the Ways and Means Committee to reject this anachronistic approach to trade problems. We appreciate the opportunity to comment on this important issue.

Very truly yours,

Schmidt

Wolfgang Schmidt
President

H.R. 1360

Relating to the tariff classification of certain plastic sheeting

AMERICAN TEXTILE MANUFACTURERS INSTITUTE, INC.
1101 CONNECTICUT AVENUE, N.W., SUITE 300, WASHINGTON, D.C. 20036
TWX: 710-822-9489
TEL: 202 862-0500

May 1, 1987

Mr. Joseph K. Dowley
Chief Counsel
Committee on Ways and Means
1102 Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Dowley:

The American Textile Manufacturers Institute, Inc., whose members account for over 85% of our country's production of textile mill products, wishes to register objection to H.R. 1360, a bill relating to the tariff classification of certain plastic sheeting. Our objection is based on two equally compelling reasons.

First, this legislation is clearly harmful to U.S. textile producers. The product described in the legislation is commercially available from several domestic suppliers. The removal of the tariff and import restraints on this product would cause irreparable harm to this segment of our industry.

Second, moving a textile product from Schedule 3 of the Tariff Schedules to Schedule 8, where it does not belong, and eliminating the tariff and stipulating that it not be subject to import restraint will set a very dangerous precedent which would be emulated by other importers of textiles. Congress would be awash in bills seeking to have individual products receive identical treatment. The implications for the American textile industry and its workers are as ominous as they are obvious.

For these reasons, we are opposed to H.R. 1360.

Sincerely,

Carlos Moore

Carlos Moore
Executive Vice President

CM/sd

CRAFTED WITH PRIDE IN U.S.A.

COMMENTS OF
INDA, ASSOCIATION OF THE
NONWOVEN FABRICS INDUSTRY
IN OPPOSITION TO
H.R.1360

INDA, Association of the Nonwoven Fabrics Industry, appreciates the opportunity to express its opposition to H.R.1360 now under consideration by the House of Representatives' Trade Subcommittee. INDA, with offices at 1700 Broadway, 25th Floor, New York, New York 10019, is the recognized trade association of the nonwoven fabrics industry. Its 117 member companies (See list of members attached.) include equipment manufacturers, fiber and chemical suppliers, nonwoven rollgood manufacturers, converters, sales agents, consultants, and academia. In 1985, approximately $1.7 billion of nonwoven rollgoods were shipped from United States manufacturing facilities.*/

H.R.1360 proposes the reclassification of a nonwoven fabric. This reclassification would result in the removal of the 12.9% tariff currently applicable to nonwoven fabrics. Additionally, H.R.1360 proposes excluding imports of the nonwoven fabric from importing countries' quota obligations. This dangerous legislation would overturn long established U.S. Customs policy. Moreover, INDA believes the legislation would seriously and negatively impact the filtration fabric market for domestic suppliers and undermine the future textile trade negotiating authority of the United States. Accordingly, it urges that the legislation be reported unfavorably by the House Trade Subcommittee.

I. The Legislation Is Unnecessary Because the Fabric Is Available from Domestic Suppliers

Domestic use of reverse osmosis filtration fabric in the United States has been estimated by INDA at approximately 4 million square yards annually. Of this total U.S. market, imports, largely from Japan, comprise 1.5 million square yards. Even with the high cost of shipping and a 12.9% duty, imported fabrics account for almost half of the reverse osmosis fabric used in the United States.

Reverse osmosis fabrics are an essential component in hyperbaric filtration systems. The fabric, when coated with a seimpermeable film, is installed in devices which become part

*/ Estimate provided by industry consultant John R. Starr, John R. Starr, Inc.

of filter systems that purify brackish water or sea water into potable water. Salt particles as small as .003 micrometers can be strained using reverse osmosis. Some major markets for these products are overseas, especially the Middle East where reservoirs of brackish water are found beneath the desert, piped to cities and filtered, and in Japan where pure water is necessary to the production of semiconductors. In the United States, potable water, from brackish and sea water, is attained through reverse osmosis in several Florida cities. Reverse osmosis filtration is also very important to the California computer chip market.

The market for reverse osmosis fabrics has been stagnant for the past several years with few players participating. However, it is expected that the market is ripe for growth at a rate faster than the economy as a whole. Additionally, as the potable drinking water supply shrinks due to pollution and overcrowded population centers, reverse osmosis fabrics will play an increasingly important role in ensuring an adequate supply of a resource all too often taken for granted. American firms, wishing to take advantage of this growth opportunity, have been heavily investing in new equipment and research and development so they will be poised to move rapidly when the market expands. Therefore, the future of this unique product is increasingly important to American filtration fabric manufacturers.

A. An American Product Is Now Being Used by the Company Which Requested the Legislation

INDA has identified several American suppliers of reverse osmosis fabrics. Indeed, the company which most strongly urged introduction of this legislation is currently using Hollytex, a fabric manufactured by Eaton-Dikeman Division, Filtration Sciences Corporation, located in Mt. Holly Springs, Pennsylvania, of which the base material is Reemay, manufactured by Reemay, Inc., a member of The InterTech Group. Accordingly, requirements for reverse osmosis fabrics are being satisfied domestically. Therefore, Congress need not permit the introduction of this material duty free to the United States merely because it is unavailable here. Moreover, elimination of the duties and quotas on these fabrics will effectively provide overseas firms with a distinct advantage against American competitors, potentially resulting in the loss of American jobs.

II. The Product Is a Nonwoven Fabric, Not a Paper

When introducing legislation identical to H.R. 1360 to the Senate, (S. 956) Senator Durenberger stated, "Previously, awa paper was placed in the category of plastic sheets comprised of polyester, with only a 4.4 percent ad valorem tariff. The classification was changed when certain Customs officials successfully argued that the length of the man-made fibers in awa paper make it a textile." Senator Durenberger went on to say that he believes the "awa paper" is not a textile because it "does not possess characteristics representative of textiles -- it exhibits no drape when laid flat upon a nonflat surface and it cannot be stitched or sewn." (Congressional Record, S4864, April 8, 1987.)

Nonwoven fabrics are often not easily identified as textiles, and indeed, are not always considered textiles. They are nonwoven fabrics, engineered through a variety of manufacturing processes to produce a product tailored to a specific end use. For example, the same process that produces the Eaton-Dikeman reverse osmosis membrane support fabric noted above, spunbonding, can be varied to produce a fabric soft enough to be used as the inner lining of a baby's diaper or durable and stiff enough to be used as roofing.

A. The Product Is Properly Classified In the Tariff Schedules

The Japanese product used by H.R. 1360's chief proponent is produced through a process known as "wet laid." This process is a modification of the paper-making process. However, there are several very important differences distinguishing nonwoven fabrics from papers. Most importantly, paper is generally made of cellulosic materials. The Japanese "paper" is made of 100% polyester fibers, not cellulosic fibers. In paper-making, the fiber is generally digested during the manufacturing process. However, the fiber is not digested during the manufacture of this Japanese product. A very important difference, as determined many times by the Customs Service, is fiber length. In many decisions*/ products have been declared nonwoven fabrics, and not paper, if the fiber length is greater than 4 mm. That is the case with the so-called Japanese paper.

Accordingly, the imported product is not a paper; it is a nonwoven fabric and is so considered by both the American paper industry and the nonwovens industry. Therefore, INDA believes the product is currently properly classified under Entry 355.2500 in the Tariff Schedules of the United States, Annotated, and the duty of 12.9% plus 2% ad valorem is correctly applied to imports of the product. To reclassify this product so that no duty is applied would be an unwarranted diversion from an accepted U.S. Customs decision.

III. Imports of Man-Made Fiber Products Should Not be Exempted from an Importing Country's Quota Obligations

Exempting this product from a quota mutually negotiated between trading partners would set a dangerous precedent and would undermine future textile negotiations. Industrial man-made fiber fabrics, such as this reverse osmosis fabric, are produced and sold relatively inexpensively, especially when compared with man-made fiber apparel fabrics such as a polyester broadloom woven fabric. When the same quota applies to both a low-priced man-made fiber industrial fabric and a more valuable woven apparel fabric, some countries limit their shipments of the lower value industrial fabrics while shipping larger quantities of higher value products in order to increase profits. Then, when their industrial fabric customers in the United States cannot import the lower-priced fabric in large enough quantities to ensure continuous production, the trading countries complain that the quotas imposed by the United States prevent them from shipping the fabric.

---

*/ See Customs Rulings Nos. 061187, 065193, 073555, 074196 and 076899.

This practice of withholding shipments of industrial fabrics to U.S. customers is a not-so-subtle weapon in the textile trade war. To legislate an exemption from a quota obligation that has been bilaterally negotiated is to endorse an underhanded and unfair trade practice. Therefore, INDA strongly believes that excluding this fabric from quotas will set a dangerous precedent. If the legislation is adopted, every major importer of relatively inexpensive fabrics may request Congress to exempt their product from import quotas, so that big-ticket fabrics can be imported in even larger quantities than they are now. Our carefully negotiated textile trade agreements would become meaningless and the domestic industrial fabric market would be flooded with quota-free products.

CONCLUSION

Therefore, INDA, believing H.R.1360 to be unnecessary and potentially harmful, urges this Committee to vote unfavorably on the legislation. INDA supports a competitive world marketplace for nonwoven fabrics, and does not believe in protectionist legislation. The legislative relief requested in this bill is anti-competitive, would harm the domestic filtration fabric market, would overturn an accepted and well-considered Customs Service policy, and would hamper U.S. textile negotiations in the future. INDA firmly believes that companies have every right to import reverse osmosis nonwoven fabrics. However, the rules of fair trade for nonwoven fabrics are in place and must be followed, not changed in the middle of the game.

Respectfully submitted,

John J. Mead, President
INDA, Association of the Nonwoven Fabrics Industry
25th Floor
1700 Broadway
New York, New York 10019
212/582-8401

Of Counsel:

Wayne V. Black, Esquire
Russell H. Fox, Esquire
Keller and Heckman
Suite 1000
1150 17th Street, N.W.
Washington, D.C. 20036
202/956-5600

Association of the
Nonwoven Fabrics Industry

Suite 1000, 1150 17th Street N.W., Washington, DC 20036

GENERAL MEMBERS

Air Products and Chemicals, Inc.
Allied/Signal
American Pharmaseal
Amoco Fabrics & Fibers Company
ARCO Chemical
Astro Industries, Inc.
Avtex Fibers, Inc.

Barnhardt Manufacturing Company
BASF Corp.
Beloit Wheeler Corporation
Bemiss-Jason Corporation
Bonar Fabrics Corp.
Burlington Formed Fabrics
William T. Burnett & Co., Inc.

Celanese Industrial Fibers
Clopay Corporation
Courtaulds North America, Inc.
Crown Textile Company

The Dexter Corporation
DiversiTech General, A GenCorp Co.
Dow Chemical U.S.A.
E.I. du Pont de Nemours & Co., Inc.

Eastman Chemical Products, Inc.
Edison Plastics Co.
Ergon, Inc.
Erikson Nonwoven Textiles, Inc.
Erving Paper Mills

Fleetguard, Inc.
Freudenberg Nonwovens Limited Partnership
H.B. Fuller Company

Gelman Sciences
The BFGoodrich Company
Grain Processing Corporation
Groz Beckert USA

Hanes Converting Company
Hercules Incorporated
Hoechst Fibers Industries
Hollingsworth & Vose Company
Honeycomb Systems, Inc.

International Group (US) Inc.
International Paper Company
Irving Textile Products, Inc.

James River Corp.
Johnson & Johnson
Kem-Wove, Inc.
The Kendall Company
Kimberly-Clark Corp.

Lehn & Fink Products
Leigh Fibers Inc.
The Lutravil Company
Lydall, Inc.

Manville Sales Corp.
Mastech/CH Masland & Sons
Meltex Corporation
Mercer Corporation
Milyon, S.A.
Morrison Berkshire, Inc.
Mosinee Paper Corp.

National Starch & Chemical Corp.
North American Textile Machinery Co.
Osprey Corporation

Paper Converting Machine Co.
Para Chem Southern Inc.
Park Avenue Finishing Corp.
B.F. Perkins
QVal

Reichhold Chemicals Inc.
Rockford Automation, Inc.
Rohm and Haas Company

Scott Paper Company
Simmons Machinery Co., Inc.
Stacy Industries, Inc.
Stanford Professional Products Corp.
The Stearns Technical Textiles Company
Sun Chemical Corporation

3M Company
Unocal Corporation
Waterbury Nonwovens
Weyerheuser
Wise Industries, Inc.

(continued)

ASSOCIATE MEMBERS

Beacon Lighthouse for the Blind
Bogdan Bogdanovic
Francies J. Bouda

China Textile University
Clemson University
Cotton, Inc.
CTA, Inc.

Disposables Inc.
Dunn Enterprises Winston-Salem, Inc.
Drexel University

East Texas Lighthouse for the Blind
Estech Corporation
Fi-Tech, Inc.
Fleming Associates

Georgia Institute of Technology

Richard F. Heitmiller, Inc.
Hill Top Research, Inc.
Huntex Management Corporation

Korea Yarn & Fabric Inspection
Testing Institute

Lockwood Greene Engineers, Inc.

Maran Marketing Company, Inc.
Marafi

National Industries for the Blind
North Carolina State University

E.V. Painter
Philadelphia College of Textiles
& Science
Paper and Board Div., PIRA

Shirley Institute
Dr. D.K. Smith
John R. Starr, Inc.
Swedish Institute for Textile
Research

Texas Tech

University of Lowell
University of Maryland
University of Tennessee
University of Utah

H.R. 1381

To direct the President to impose certain limitations on the amount of milk protein products that may be imported into the United States

H.R. 1436

To amend the Agricultural Act of 1949 to limit the quantity of milk protein products that may be imported into the United States

Anderson Clayton Foods, Inc.

P.O. Box 660037 Dallas, Texas 75266-0037 (214) 450-6023

R.C. EDMONDSON
VICE PRESIDENT
OIL PRODUCTS OPERATIONS

April 30, 1987

Joseph K. Dowley, Chief Counsel
Committee On Ways and Means
U.S. House of Representatives
Room 1102 Longworth House Office Building
Washington, DC 20515

RE: H.R. 1381
1436

Dear Mr. Dowley:

We understand that the subcommittee on Trade, Committee on Ways and Means is requesting written testimony on various pending trade bills. Our testimony is directed to provisions of the Solomon Bill (H.R. 1381) and the Dorgan Bill (H.R. 1436) with respect to casein quotas. Any imposition of import quotas on casein or caseinates into the United States would unnecessarily raise the costs for a most important ingredient for many food products without any compensating benefits.

1. Casein and caseinate are not produced in this country. Therefore, any import quota will not help the American Dairy Industry.

   The Dairy Price Support Program eliminated casein production in this country many years ago, because casein is a low value product of skim milk. It is much more profitable for dairies in this country to produce non-fat dry milk.

2. Casein is a highly nutritional protein which is an important ingredient in many food products. Quota bills will result in a higher cost of casein. Higher cost of casein or caseinate could very well lead to reformulation of these products at a significant increase in cost to the consumer.

3. In many food applications, casein is the preferred low cost ingredient because it does not contain lactose (which causes browning upon heating). Therefore, in many food products reformulation to exclude casein is not possible for functional reasons.

This letter is being submitted on behalf of Anderson Clayton Foods located in Dallas, Texas. Anderson Clayton Foods has a cheese analog plant in Humboldt, Tennessee which relies on casein and caseinate as a basic ingredient. We also have a dairy plant in Gustine, California which utilizes casein. For the reasons stated above, import quotas on

casein/caseinate would likely lead to events that could cause us to cease production at Humboldt -- because casein/caseinates are not produced in the United States. Anderson Clayton Foods also has a cheese plant in Wisconsin, and vegetable oil refineries in Texas and Illinois.

Therefore, I urge the Committee on Ways and Means not to support H.R. 1381 and H.R. 1436 or any other bills which would place unnecessary import quotas on this necessary and irreplaceable ingredient.

Sincerely yours,

RCE/gk

WRITTEN STATEMENT OF
THE AUSTRALIAN DAIRY CORPORATION

INTRODUCTION

The Australian Dairy Corporation is a statutory marketing authority established by the Commonwealth Government of Australia to carry out regulatory marketing and promotional responsibilities in the dairy produce sector.

The functions of the Corporation, as provided by law, include the provision of trade and commerce in dairy produce among the States, between States and Territories, and within the Territories, and to promote the export of dairy produce from Australia.

Initially, Australia exported industrial grade casein to the United States for paper coating and other non-human food uses. Research into appropriate specifications for low viscosity casein suitable for high speed paper coating machines required substantial coordination of effort between Australian technologies and manufacturers and the users of these products in the United States. The development of this trade also led to major changes in manufacturing equipment and more rigorous process control, both of which required significant investment by casein producers and research establishments.

Concern over the impending world protein shortage in the 1960's resulted in extensive research and development in human food uses of casein, which had long been recognized by nutritionists as the basic reference protein. Particular attention was given to the functional properties of casein and caseinates, and their use in a variety of processed foods.

The ability of casein to emulsify and bind fat, to modify viscosity, increase whiteness, form stable foams and retain water are all properties which are useful to the food technologist.

Casein is used in many applications where milk powder is not suitable, for example, in foods which are processed at high temperatures. Under these conditions, lactose in milk powder reacts with protein and lowers its nutritive value. The diversity of this versatile protein in a wide range of food products, both in terms of functional properties and improving nutritial quality, is well known.

Australian technologists have pioneered many of the innovations in the manufacture and use of high quality grade casein and caseinates, and more recently, further developments through the incorporation of whey proteins in the production of coprecipitates. These materials have extended the range of functional behavior and improved nutritional quality.

AUSTRALIA'S SHARE OF THE U.S. MARKET IS DECREASING

Australia has a valuable trade interest in the United States market, which depends entirely on imports for casein. Australia exports about 90 percent of its casein production. The United States market is a major, although decreasing, outlet for Australian casein. In recent years, these exports represented about 70 percent of Australian casein available for export.

Australia's share of U.S. imports over the past decade peaked at 33.4 million pounds in 1976, when they represented about 30 percent of total U.S. imports. Since then, Australia's exports to the United States have declined to the current level of around 11 million pounds, or approximately 6 percent of total U.S. imports. During the past ten years, Australia has dropped from being the world's second largest casein manufacturer, after New Zealand, to about the fourth or fifth position. Australia's annual production during this period declined almost 50 percent, from 37 million pounds in 1976 to 19 million pounds in 1986.

The Australian dairy industry has been through a period of major change and readjustment in recent years, precipitated by the loss of its traditional export markets in the United Kingdom in 1973. Current milk production of around 12.8 billion pounds in 1986 is a substantial reduction from 17 billion pounds in 1970.

It is submitted that in view of the trends in milk production in Australia, especially in the production of casein, there is no possibility of Australia endangering the stability of the United States casein market through oversupply.

BOTH BILLS VIOLATE U.S. COMMITMENT UNDER GATT

Both H.R. 1381 and H.R. 1436 propose to direct the President to limit by proclamation the imports of milk protein products to a quantity equal to 50 percent of the average annual quantity of milk protein products that was imported during the period beginning January 1, 1981, and ending December 1, 1985. "Milk protein products" are defined in H.R. 1436 as meaning "casein, caseinates, lactalbumin, whey protein concentrates, or mixtures containing not less than 5 percent of such products." The alleged purpose for this legislation is to ensure that the unrestricted imports of these products will not render ineffective or materially interfere with the price support operations for milk undertaken by the U.S. Department of Agriculture ("USDA").

The Australian Dairy Corporation strongly urges that this proposed legislation and any similar measures be rejected.

These measures would violate U.S. commitment under the General Agreement on Tariffs & Trade ("GATT") provisions relating to quantitative restrictions and would introduce an extreme protectionist principle in the U.S. trade policy that unfairly damages the legitimate trade interests of its friendly trading partners.

It would be most unfortunate to have this happen at this time while the U.S., together with Australia and other countries, is seeking to include trade in agricultural products in a meaningful way in the current GATT trade negotiations. Such action by the U.S., a leading country in world trade in agricultural products, would be construed as a clear example that the U.S., also, is willing to disregard the rules of fair international trade when it suits its selfish purpose to do so. It will seriously detract from the effectiveness of U.S. arguments and complaints against unfair restrictions on U.S. agricultural exports in other foreign markets.

This restrictive legislation is unnecessary for the purpose of protecting the dairy price support program and contravenes the principles of the fair trade policies advocated by the United States.

A VIABLE CASEIN INDUSTRY IN THE UNITED STATES IS NOT LIKELY TO BE ESTABLISHED, EVEN WITH EXCESSIVE GOVERNMENT SUBSIDIZATION

There is no production of casein in the United States. Current efforts to encourage the production of casein by making available specified quantities of Commodity Credit Corporation's ("CCC") owned stocks of non-fat dry milk at greatly reduced prices have encountered less than encouraging response. It is highly unlikely that a viable casein industry can be developed to meet the needs of current casein users, even with government intervention and excessive subsidization, trade practices justifiably condemned by the Congress and U.S. officials when employed by other governments to the detriment of U.S. agricultural trade interests in foreign markets.

The obvious need for excessive subsidization is a consequence of the relatively high cost of U.S. milk production under its support system, vis-a-vis milk production in countries like Australia or New Zealand. Whereas it costs $3.00 to $3.50 for the United States to produce a pound of casein from three pounds of liquid skimmed milk, it costs $1.05 in Australia or New Zealand to produce the same amount.

CASEIN DOES NOT INTERFERE WITH THE DAIRY PRICE SUPPORT PROGRAM

Casein is not now, nor is likely to be, imported in such quantities or under such conditions as to render ineffective or materially interfere with the price support program undertaken by the U.S. Department of Agriculture. This matter was thoroughly investigated by the U.S. International Trade Commission ("ITC") which, in its report to the President dated January, 1982, concluded neither imports of casein, mixtures in chief value of casein, or lactalbumin materially interfered with the price support program, and that all arguments as to future harm were conjectural. That investigation and report were made pursuant to Section 22 of the Agricultural Adjustments Act (7 U.S.C. § 624), as amended. The current proposals would require the President to proclaim import quotas as being issued under that law and as having met the requirement of that section. Absent a further investigation and public hearing before the ITC, such a basis would be arbitrary and contrary to the provisions of Section 22. Further, such action would not be covered by the GATT Section 22 waiver granted the United States.

Any action limiting the imports of casein, as proposed here, would seriously impair the trade interests of Australia and other supplying countries, and substantially increase the costs of imported casein to U.S. users without making any appreciable reduction in the cost of the U.S. dairy support program. Contrary to charges by representatives of the U.S. dairy interests, the ITC found in its investigation that there is no positive statistical correlation between imports of casein and purchases by the CCC under the dairy program. At that time the ITC had before it and carefully considered the report by the USDA on "The Effects of Casein Imports".

This report has been frequently cited by proponents of restrictive legislation as supporting their charge that casein imports are increasing the costs to the U.S. dairy support program by $300 million. However, as the ITC pointed out, this number is purely speculative. The USDA study, which has been recently updated, also admits the speculative nature of its estimates of cost to the dairy support program and contains no data or conclusions that refute the Commission's findings.

H.R. 1436 would further compound the objectionable trade features of these restrictive measures by requiring a licensing system which would establish a preference for issuing import licenses under the prescribed quota. The first preference would be given to those importers or users who establish that their importations are utilized for purposes for which no substitutes are available. This provision would seem to reflect the clear protectionist nature of the proposed legislation by recognizing that the prescribed quota provisions would cover imports which do not replace or compete with U.S. dairy products and, therefore, do not affect the cost or operation of the dairy support program. Moreover, in considering a similar licensing provision in its Section 22 investigation, the ITC reported that both the U.S. Customs Service and the USDA agreed that such a system could not be successfully administered and enforced.

CONCLUSION

The Australian Dairy Corporation urges that the proposals of H.R. 1381 and 1436 be rejected because they would establish restrictions on imports of casein in contravention of the provisions of GATT, seriously impair the legitimate trade interest of the U.S.'s friendly trading partner, substantially increase the costs of imported casein without making any appreciable reduction in the cost of the U.S. dairy support program, and further deter efforts to remove unfair protectionism and trade practices from the international trade of agricultural products.

By: A. Richard DePelice, Esq.
Taft, Stettinius & Hollister
Suite 800
1620 Eye Street, N.W.
Washington, D.C. 20006
(202) 785-1620

Counsel For:
The Australian Dairy Corporation

WRITTEN TESTIMONY OF

THE COMMITTEE TO ASSURE THE AVAILABILITY OF CASEIN ("CAAC")

The Honorable Sam M. Gibbons
Chairman, Subcommittee on Trade
Committee on Ways and Means
U.S. House of Representatives
Room 1101 Longworth House Office
Building
Washington, D.C. 20515

RE: H.R. 1381 and H.R. 1436 -- Casein Imports Should Not Be Restricted

Dear Mr. Chairman:

Pursuant to your Press Release of March 20, 1987, written testimony was requested on certain tariff and trade bills including H.R. 1381 and H.R. 1436. This statement is submitted on behalf of the Committee to Assure the Availability of Casein ("CAAC") and discusses why these bills, as well as H.R. 243 introduced on January 6, 1987 by Mr. Roth, should not be approved by this Committee.

These bills seek a 50 percent casein quota based on an average of imports during the period beginning January 1, 1981 and ending December 31, 1985. These bills would reduce, by more than 50 percent, existing imports of casein when not one pound of casein is produced in the United States! In addition, not one pound of casein is restricted by quota by any other country in the world!

I. The "CAAC"

The "CAAC", (membership list attached for information) was established in 1978 by U.S. companies when unjustifiable and unsuccessful attempts were lodged by certain sectors of the U.S. dairy producers industry to place a "Section 22" (Agricultural Adjustment Act of 1949) quota on imported casein. Thereafter, almost every year requests have been submitted to the Secretary of Agriculture or to the Congress seeking a quota against imported casein alleging that it disturbs, in a material way, the price support program. These unfounded, protectionist efforts are taking place once again.

The "CAAC" continues to resist these efforts which would ultimately harm, in many ways, the U.S. consumer and, at the same time, violate our country's international obligations under the General Agreement on Tariffs and Trade ("GATT").

II. H.R. 1381 and H.R. 1436 Proposed Legislation Should Be Rejected

The following facts explain why H.R. 1381 and H.R. 1436, or similar bills seeking to restrict casein such as the Roth bill, H.R. 243, are unjustified, unnecessary, and should be rejected:

1. Casein is not manufactured in the United States. Prior to the Agricultural Adjustment Act of 1949, which created price supports for nonfat dry milk, butter and cheese, casein was produced throughout the United States. When the Congress, at the request of certain segments of the dairy producers industry, decided to support nonfat dry milk and not casein, casein production went out of business "over night". As a consequence, today all casein is imported into the United States!

2. If casein were produced in the United States, unless it was significantly subsidized, it would have to sell between $3.00 and $3.50 per pound. Currently imported casein, most of which is from New Zealand, Ireland and Australia, sells for approximately $1.15 per pound. New Zealand, which establishes the world market

price for casein, does not subsidize its exports to the U.S. It takes three pounds of liquid skim milk plus the cost of new manufacturing plants, machinery, land, utilities, labor and distribution system costs to sell casein. To take three pounds of liquid skim on today's market and to add the other mentioned cost factors means casein would have to sell for over $3.00 per pound in our country -- approximately $2.00 per pound more than current imports.

3. Nonfat dry milk produced in the United States cannot, in more than 90 percent of the uses for imported casein, be substituted for casein. No matter what one might hear from certain segments of the dairy producers lobby, food scientists, and other technical authorities will attest to the fact that almost all of the uses for imported casein today cannot be met by the substitution of nonfat dry milk!

4. Since 1979, there have been four U.S. Government studies on casein! The International Trade Commission ("ITC") has held a Section 22 hearing and concluded that casein did not materially interfere with the price support program. The ITC held that quota restrictions or increased duties on casein would have no significant impact except to raise the cost to consumers by hundreds of millions of dollars! The ITC also had a fact-finding study in 1979 and concluded the same. Quotations from both of these investigations are given later in this testimony. The United States Department of Agriculture has had two investigations of casein within the last five years and both agree with the ITC findings. Again, quotations from the USDA are also given in this testimony.

5. A quota on casein or other restrictions on casein would be inflationary. The "CAAC" estimates that these costs could well add over $300 million a year to consumer costs.

6. Casein is a GATT item. To place an unfair nontariff barrier restriction on its importation would clearly violate the GATT and could cause retaliation by our trading partners. This statement should and can be verified with appropriate officials within the U.S. Government handling trade matters.

7. A quota or other restriction on imported casein would inhibit the production of hundreds of products utilizing casein -- from cool whip to coffee whiteners, to substitute low-cholesterol cheeses, other diet foods, pet foods, medical nutritionals which keep babies alive, high protein hospital formulas, industrial glues, and a host of other products! None of these products can use nonfat dry milk as a substitute for casein. Many would not be produced if casein were placed under a quota.

8. A quota would deny consumers their free choice of desired products. "Consumer choice" is the main issue in this casein dispute!

9. Section 105 of the Farm Security Act called for the reestablishment of a U.S. casein industry between June 1, 1986 and January 1, 1990. To date, there have been no offers of U.S. casein to any of our members who represent over 90% of the casein trade. Our country needs imported casein and it does not make sense to place it under quota when Section 105 is apparently not a success!

III. History

As stated, in 1981, Secretary of Agriculture Block granted a Section 22 hearing which was conducted by the International Trade Commission. That Commission correctly concluded that imported casein was not materially disturbing the price support program! The facts have not changed -- currently casein imports do not materially disturb the price support program and no quota is justified.

The Section 22, ITC report of January, 1982 concluded on page 1:

> "On the basis of the information developed in the course of the investigation, the Commission finds and recommends that casein, mixtures in chief value of casein, and lactalbumin, provided for in items 493.12, 493.17, and 190.15, respectively, of the Tariff Schedules of United States (TSUS), are not being, and are not practically certain to be, imported into the United States under such conditions and in such quantities as to render or tend to render ineffective, or materially interfere with, the price-support program for milk undertaken by the Department of Agriculture, or to reduce substantially the amount of any product processed in the United States from domestic milk." (Emphasis added.)

In addition, in 1979 the International Trade Commission conducted a fact-finding report under Section 332 of the Trade Act, and concluded that imported casein did not materially interfere with the price support program.

The ITC report of December, 1979 stated on pages 4 and 5 thereof:

> "The data collected during the course of the Commission's investigation indicate virtually no relationship between imports of casein and mixtures of casein and purchases of nonfat dry milk under the price-support program in recent years. Likewise, no clear relationship is apparent between imports and domestic production or consumption of nonfat dry milk. Additionally, no clear relationship is apparent between imports of casein and mixtures of casein and other forms of domestic dairy production. Products of the dairy industry are not considered by most of the end users of the imports to be a primary or technically viable substitute for casein in many of its current users.

In addition, yet another study was conducted by the Department of Agriculture. This study, which was released in 1981 at the request of the Congress, also stated that if a quota was placed on imported casein, in conformity with Section 22 of the Agricultural Adjustment Act, that only insignificant results would be experienced with the price support program and therefore such a quota was not justifiable.

The Abstract of the 1981 study stated:

> "This study examines the economic implications of restricting the importation of casein and lactalbumin--dairy proteins used in various food, feed, and industrial products. Under existing legislation and trade agreements, the most extreme restrictions that may be imposed are a 50-percent quota or a 50-percent ad valorem tariff. If either of these were imposed, users of casein would shift to soy-based protein and other ingredients wherever possible, although product quality could suffer. Some casein use would be replaced by skim milk solids, but not enough to significantly affect CCC purchases under the dairy price support program. Import restrictions would increase the cost of producing goods containing casein, and thus raise prices to consumers." (Emphasis added.)

IV. Issue

Can four government findings during the last seven years now be wrong in 1987? It should be kept in mind that the "CAAC" did not ask for any of these government reports or actions completed at a considerable cost to the taxpayer. In each case, the National Milk Producers Federation, supported by the Dry Milk Institute and other related organizations, requested each of these studies. It is somewhat interesting to note that each time one of these reports was issued, these organizations did not like the results and eventually prompted an additional study or a "quota scare" in the Congress by the introduction of proposed legislation. The same is happening today.

V. Casein A Scape-Goat Issue

Certain dairy interests, recognizing that changes in the price support payment are occurring and that more are inevitable have, (1) tried to blame all CCC purchases of nonfat dry milk on casein rather than admit that the current high levels of purchases might be due to the current price support incentive and, (2), which is really more disturbing, leadership of some dairy groups want a quota on casein simply so they can return to their membership having accomplished something in return for reducing the current parity formula despite the fact that it won't help the dairy farmer!

VI. The Whey Disposal Problem

Whey surplus is a major problem for many U.S. dairy producers and was a subject of a hearing by the Agriculture Committee of the House of Representatives not too many years ago. Billions of pounds of whey, a by-product of cheese production, are generated each year in the United States. With American cheese consumption on the rise, cheese production has increased significantly in recent years. This has brought about a related increase in whey availability, although the demand for whey products has not increased at the same rate.

Whey utilization is a serious problem facing U.S. dairy producers. While limited quantities can be used in specialty products, and the "CAAC" is encouraged by the progress being made in this area today, the vast bulk of this whey must be treated in company or municipal waste disposal facilities. In many locations around the country, existing pollution control facilities are straining to meet this increased demand placed on them.

If U.S. dairy producers were to produce 100 million pounds of casein, there would be billions of pounds of additional acid whey as a by-product which would seriously jeopardize existing disposal facilities!

VII. No Material Price Support Impairment

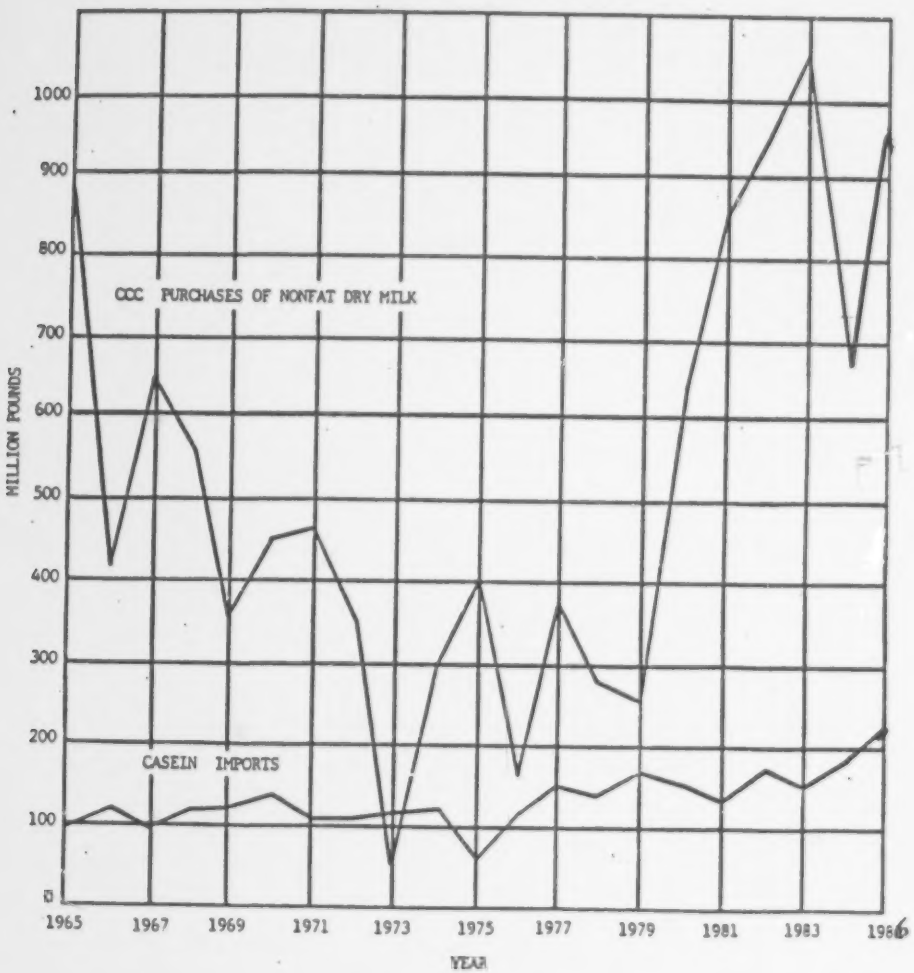
Current casein imports do not materially interfere with the dairy price support program for the same reasons given in the previously cited government studies. The following table and chart prove that casein imports do not relate to CCC purchases of nonfat dry milk, from 1970 thru 1986!

CASEIN IMPORTS DO NOT RELATE TO CCC PURCHASES OF NFDM

Year	Millions of Pounds Casein Imports (1)	CCC Purchases (1) of NFDM
1970	135.3	451.6
1971	105.9	456.1
1972	105.4	345.0
1973	112.8	36.8
1974	113.3	265.0
1975	58.4	394.5
1976	112.1	157.1
1977	146.5	461.7
1978	137.1	285.0
1979	151.0	255.3
1980	151.2	634.3
1981	127.8	851.3
1982	176.8	948.1
1983	159.5	1061.0
1984	192.3	678.4
1985	234.0	940.6
1986	229.7	827.3

(1) USDA Statistics

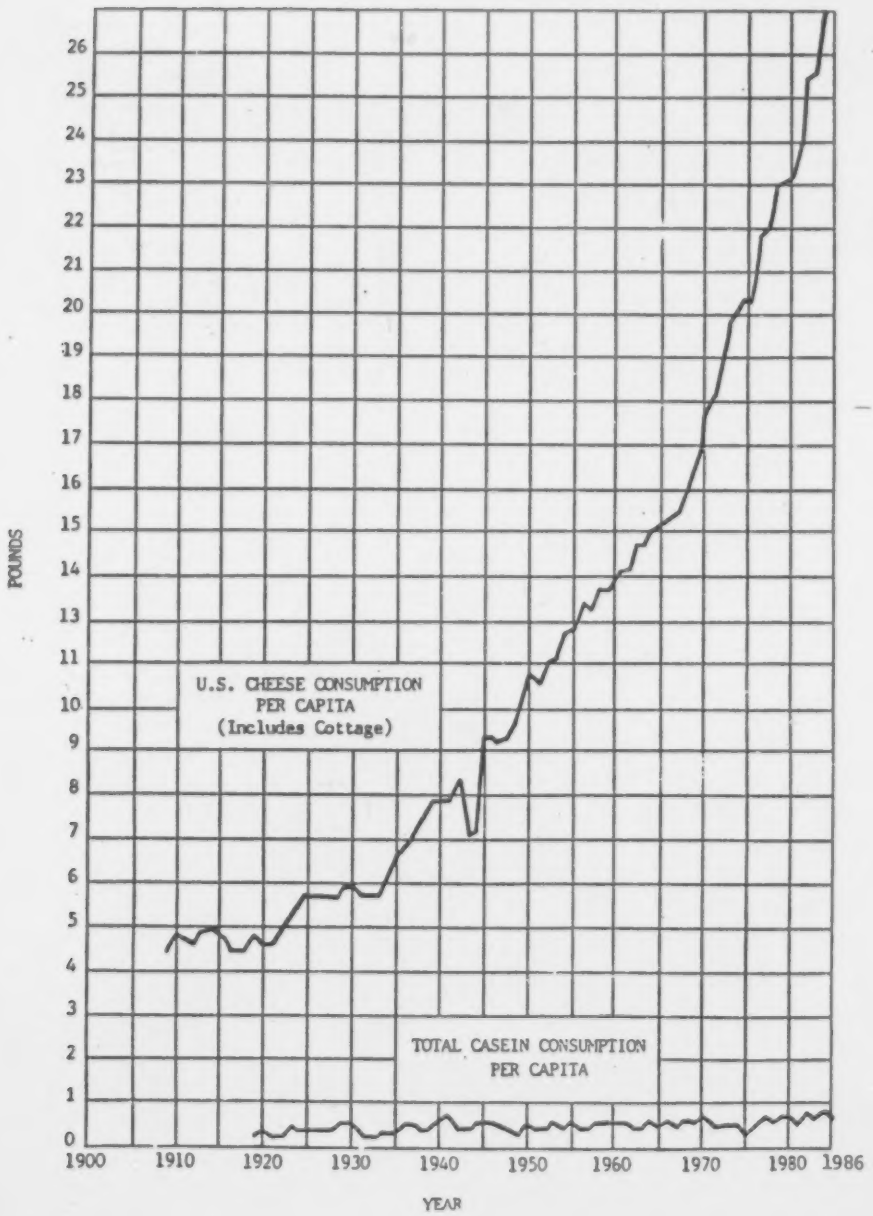
USDA PURCHASES OF NDM AND CASEIN IMPORTS



* In 1977, dates of Marketing Year were changed; However, during this 6 month transition period, 345.5 million lbs. were purchased.

It is common knowledge that U.S. cheese consumption continues to significantly increase each year. However, on a per capita basis, through 1986, U.S. casein consumption remains flat; increasing less than one pound per capita since 1919! The following chart establishes this fact.

U.S. CHEESE AND CASEIN CONSUMPTION



VIII. Casein A Scape-Goat Issue

Certain dairy interests, recognizing that changes in the price support payment are occurring and that more are inevitable have, (1) tried to blame all CCC purchases of nonfat dry milk on casein rather than admit that the current high levels of purchases might be due to the current price support incentive and, (2), which is really more disturbing, leadership of some dairy groups want a quota on casein simply so they can return to their membership having accomplished something in return for giving up the current parity formula despite the fact that it will not help the dairy farmer. In an article written by Robert Kaiser for "The Washington Post" on November 8, 1981 entitled "How a Lobby Milks a Nonissue", the following is stated:

> "...The dairy industry argues that if casein imports were limited, users would turn to nonfat dry milk as a substitute increasing consumption of that product. That would reduce government surpluses of nonfat dry milk, the industry says, thus lowering the costs of the dairy price support program.
>
> "If the program can be made cheaper, the industry argues there would be less justification for holding down the basic dairy price support.
>
> "This is the industry's line. It has all the intellectual sinew of a cover story. In fact, dry milk cannot be used for most of casein's uses. There would be much substitution, according to all the government studies, and according to industry officials, too. The suspicion is irresistible that the dairy lobby in Washington is primarily interested in casein as a fight it might win.
>
> "'It's a classic example' of the way lobbyists look for issues to score points on, according to Ellen Haas of the Community Nutrition Institute, a 'public interest' lobbying organization. 'They had to win on something.'"

This article remains timely and accurate today!

IX. Casein Utilization

Casein has been coming into the U.S. for over 30 years, without incident, and as a product that is under continuous scrutiny both by the USDA and the U.S. Food and Drug Administration (FDA).

Concern over the impending world protein shortage in the 1960's resulted in extensive research and development in human food uses of casein, which had long been recognized by nutritionists as the basic reference protein. Particular attention was given to the functional properties of casein and caseinates, and their use in a variety of processed foods.

The ability of casein to bind fat, to modify viscosity, increase whiteness, form stable foams and retain water are all properties which are useful to the food technologist.

U.S. industry has developed a broad and growing range of uses for casein and caseinates in recent years. Casein imports are being used for human food, with primary caseinate uses including coffee whiteners, whipped toppings, special nutritional infant food formulas, instant breakfasts, high protein cereals and cheese substitutes. Caseinates are also used as binders in sausage, wieners and luncheon meats and as a needed supplement in bakery products, frozen desserts, sauces and special dietary foods.

If a food processor were unable to obtain casein for these applications, it would have to search for a substitute. There are other binders and emulsifiers available. There are other thickening and whipping agents available. The reason that some of these are not presently being used in place of casein is that they

do not perform as well as casein. As stated, one product that could not be used in these applications is nonfat dry milk, because it is not a binder, it has little water retention capability, and it does not possess much in the way of emulsification, thickening or whipping properties.

The imposition of a quota on casein imports would threaten many products. A large number could not be manufactured at all, while still others would be changed so drastically as to render them unusable for their stated dietary purpose.

In its January, 1980 report, the U.S. International Trade Commission reported that food processors are in agreement that:

> "consumers . . . would be either deprived of these convenience foods or would have available a less desirable substitute product."

In response to questionnaires sent to food processors, including producers of law-fat cheese substitutes and coffee whiteners, the same report found in summary that:

> "End users of imports of casein and mixtures of casein used in food and feed covered by the questionnaire, who account for about 65 percent of the imports so used, reported that they would not use nonfat dry milk under current conditions if casein were not available. Rather, producers accounting for 54 percent said they would discontinue production of their products. . ."

Conclusion

Because casein clearly does not materially interfere with the price support program, because it is not produced in the United States and would be highly inflationary and require large government subsidies if it were, and because U.S. consumers want and need casein-based products, a quota, of any type, or other nontariff barrier restrictions should not be imposed. Some of the largest U.S. dairy cooperatives in business today are significant purchasers and users of imported casein, and dairy families are consumers of casein products just like everyone else!

Ambassador Clayton Yeutter, United States Trade Representative, stated before the House Ways and Means Committee on February 20, 1986 the following:

> "...Protectionism will destroy the economic vitality of America's economy. It would stifle competition, retard innovation, reward the inefficient, cost jobs, invite retaliation and lower America's standard of living. Since the end of World War II, the U.S. has been a leader in promoting a more open and equitable trading system. With all the flaws in the system, the Administration will continue to work, singly or in concert with our trading partners, to renew and restore the system..."

A casein quota would amount to protectionism at its worst.

The "CAAC" sincerely appreciates the consideration by the Committee of its views.

Respectfully submitted,

Max N. Berry
Executive Director and
General Counsel

Manville Forest Products Corporation
Post Office Box 488
West Monroe, Louisiana 71294
318 362-2000 Telex 588430

Manville

April 29, 1987

COMMITTEE ON
RECEIVED
APR 30 1987
WAYS AND MEANS

Mr. Joseph K. Dowley, Chief Counsel
Committee on Ways and Means
U. S. House of Representatives
Room 1102
Longworth House Office Building
Washington, DC 20515

Dear Mr. Dowley:

On behalf of my company, Manville Forest Products Corporation, I would like to briefly explain why we need industrial casein and to voice our concern that any restrictions on imports of casein could adversely affect the supply and price of industrial casein.

Manville is an integrated wood and paper products firm with headquarters and major production facilities located in West Monroe, Louisiana.

An important product manufactured by Manville is a brown kraft paperboard which is coated white on one side.

In Manville's process of coating paperboard with a mixture of white pigment, white clay and latex, industrial casein is added as a binder to hold the other materials together and to make them adhere to the paperboard.

The quality of the coating is very important in the marketing of paperboard, which has a variety of packaging end uses. The coating must provide a surface for high quality printing because package appearance is an important marketing device for our customers. The coating must also result in a surface which glues well so that the package will not fall apart. These two qualities--printability and glueability--are best achieved by the use of industrial casein.

Currently, Manville is aware of no domestic producer of casein. Should the nearly 3,000,000 pounds per year of industrial casein purchased by Manville become difficult to obtain or become too costly, Manville would most likely have to develop a substitute for it since Manville could not pay the artificially high price that would result and still be competitive in the market place. In an effort to find a suitable alternative, Manville has conducted research in that area for twenty-one years. Some of the potential substitutes that Manville has investigated include polyvinyl alcohol, styrene butadiene latexes, soy protein, and starch. The

problem would not end, however, with merely finding a substitute that produces a quality coating; that substitute must be compatible with Manville's production methods and equipment.

The adverse economic effect that would be caused by the absence of casein is difficult to judge. At the minimum, it could damage Manville's ability to compete with other paper producers who do not use casein. Reduced sales and profits may result until satisfactory substitutes are developed. The economic impact would certainly be felt in northeast Louisiana where Manville is the major industry. As a leading employer in northeast Louisiana with over 2,500 employees, Manville is in the only major population area for 100 miles in any direction. Manville's annual revenues of over $500,000,000 produce a substantial payroll of over $60,000,000 in northeast Louisiana and, to a significant extent, support its economy.

In summary, placing restrictions on import quantities or tampering with the free flow of industrial casein by imposing a tariff would have a detrimental impact upon Manville and would be inflationary.

Because of the importance of casein in our manufacturing process, Manville must oppose any efforts to reduce imports of casein.

I will be happy to answer any questions you may have or supply you with additional information.

Yours very truly,

J. D. Halsell
Director of Purchasing

JDH/rma
1509L

MEMBER OF
SOUTH JERSEY MANUFACTURERS ASSOCIATION

CASEIN AND RESIN PRODUCTS SINCE 1919

National Casein of New Jersey
NEW JERSEY CORPORATION

POST OFFICE BOX 226
AREA CODE 609-829-1880
RIVERTON, NEW JERSEY 08077

April 7, 1987

COMMITTEE ON WAYS AND MEANS
APR 10 1987

Joseph K. Dowley, Chief Counsel
Committee on Ways and Means
U. S. House of Representatives
Room 1102, Longworth House Bldg.
Washington, DC 20515

RE: H. R. 1381 and 1436

Gentlemen:

It appears that the Committee will again be obliged to consider trade bills calling for quotas on imported casein.

As a company which employs over 150 people at 4 plant locations in our Country we object to any attempt to limit or curtail the importation of casein. Our reasons are many but for the sake of brevity we offer the following:

(a) Casein is not made in America and has not been since Congress awarded dairy interests a benevolent support program over 35 years ago.

(b) Casein creates jobs in a host of industries, none the least of which are food manufacturing, industrial plants, importers, truckers, warehouses, and steamship lines, just to name a few.

(c) Casein does not materially have an adverse effect upon the dairy price support program. Our own U.S.D.A. and I.T.C. on at least four different occasions have found in favor of casein.

(d) Casein comes principally from friendly trading partners in New Zealand, Ireland, Australia, West Germany, and France. If we shut the door on these Nations we can expect retaliation in kind.

(e) Casein has no viable substitute in domestic dairy products. The idea that casein can be supplanted by milk powder is pure

No warranty, expressed or implied is made as to the effects or effectiveness of the use of our products. Our products are offered in good faith and our representatives are available to help the consumer obtain the best results with them based on information and tests believed reliable. No representative of ours has authority to change this provision in any way. Our only obligation is to replace or accept return of defective material.

(e) cont'd.
fantasy created by the dairy lobby.

(f) Casein will only be made domestically if another subsidy would be granted to producers. Even if this became a reality, what would be done with the millions of gallons of liquid whey generated in the manufacturing process? It would seriously hamper clean up attempts in disposal areas already beset with environmental problems.

(g) Casein has been an innocent victim of dairy lobby attempts to make it into a whipping boy. In so doing, these people have cost American taxpayers multi-thousands of dollars in Congressional inquiries, meetings, studies, and at least two previous hearings convened by the I.T.C.

In conclusion we firmly believe that any restriction on the importation of casein will serve no purpose other than to deny American consumers the right of choice in the market place and to drive prices up not only in the food chain but for manufactured goods as well.

Casein quota legislation has been attempted unsuccessfully for at least the last seven years. Isn't it time to call an end to such devious attempts?

Yours truly,

NATIONAL CASEIN OF NEW JERSEY

Elmer E. Evans

EEE/aps

Elmer E. Evans
Vice President

Encl.: (5)

SUBMISSION ON BEHALF OF
NEW ZEALAND MILK PRODUCTS, INC.
SUBCOMMITTEE ON TRADE
HOUSE WAYS AND MEANS COMMITTEE
May 1, 1987

This submission is made on behalf of New Zealand Milk Products, Inc., Petaluma, California (NZMP) in response to your notice of March 20, 1987, requesting comments on a number of miscellaneous tariff and trade bills, including two proposals which would affect casein and other milk protein imports - namely H.R. 1381 and H.R. 1436, both of which would impose import quotas on casein and other milk proteins. NZMP opposes these provisions for two principal reasons. First, they would impose restraints on a product which is not produced in the U.S. and are thus totally unjustified in economic terms; and second, such an imposition would be a clear violation of the United States' obligations under the GATT where a zero rate of duty was bound in bilateral negotiations with New Zealand, and the criteria of Section 22 must be met.

New Zealand Milk Products is a U.S. corporation, wholly owned by the New Zealand Dairy Board, which was founded some seventeen years ago to market in the U.S, the whole range of dairy products manufactured in New Zealand, which are allowed access to this market. The New Zealand Dairy Board is a producer's cooperative organization representing the dairy farmers of New Zealand. While the Board has responsibilities in the administration of the dairy manufacturing industry, its principal function is the export of dairy products to world markets.

As the Committee is probably aware, dairy farming is one of the basic sectors of the New Zealand economy - an economy which depends heavily on the export of livestock products. The manufacture of dairy products in New Zealand absorbs around 90% of total milk production, and about 80% of the manufactured

output is exported each season. The New Zealand Dairy Board is the world's major commercial exporter of dairy products and New Zealand is dependant on dairy exports to a greater degree than any other country. As the central marketing organization, the New Zealand Dairy Board last year exported more than a billion dollars worth of manufactured dairy products to world markets. Because of these considerations the Board, and indeed all of New Zealand, are greatly impacted by the agricutural protectionism of the countries to which she exports. It is this concern that leads to this submission.

With respect to casein, imports have been the subject of four major (and numerous lesser) studies in the last six years - all of which have found that the impact of imports is negligible. Most recently, the USDA in its study of April 1986, found that "the volume of casein imports is not statistically related to CCC purchases of cheese or NFDM, nor to any measure of domestic price support program costs. There is no logical basis to hypothesize such a relationship...". Previously, in June of 1982, the ITC found under Section 22 of the Agricultural Adjustment Act that casein was not being imported "under such conditions or in such quantities as to render or tend to render ineffective, or materially interfere with, the price support program for milk..." Nothing has changed.

There is still no commercially viable domestic production of casein which is not a substitute for domestically produced dairy products. Its production in the United States was made uneconomic over 30 years ago by the adoption of the dairy price support program itself. Because of the open-ended offer of the U.S. Government to buy nonfat dry milk (NFDM) at artifically high prices no U.S. dairy processor would even consider producing casein for a comeptitive market while NFDM remains at present prices. A casein industry, based on a product price that is equivalent to the United States support price for NFDM would not be viable because at such a price demand would virtually disappear.

In addition, as the USDA noted, there is no statistical correlation between purchases of nonfat-dried milk under the United States milk price support program and the level of casein imports. Surpluses accumulated under the price support program are the result of the operation of the program itself and are unrelated to the volume of casein imports. Having thus failed to demonstrate to any objective agency of the United States Government any need for such a quota, the domestic industry continues to seek legislated quotas.

As these various studies have noted, New Zealand is by far the largest supplier of casein to the U.S. market. Casein is produced on a regular and continuing year-round basis in New Zealand in plants dedicated to its production and representing substantial capital investment. It is not produced as a surplus product, but is part of the normal mix of dairy products produced in New Zealand to assure the maximum return possible to the New Zealand dairy farmer. It is priced accordingly. That is, the price of casein is established at a level that will assure that the net back return to New Zealand will equal that for nonfat dry milk or any other skim milk product. As it is economically impossible for any country to subsidize a major branch of its economy, so it is impossible for New Zealand to subsidize its dairy industry, and it does not - New Zealand's ability to compete worldwide is founded in the lower cost basis provided by her favorable climate and efficiency.

The volume of New Zealand's casein output is also relatively stable, first because total milk production is established by the ability to market the products produced from the fat portion of the milk, and second, because the dairy industry must spread the risk inherent in international dairy trade in order to achieve the highest practicable prices for its producers whose livelihood directly depends upon export realizations. New Zealand is committed not to volume growth so much as to careful and sustained technological advance in casein production for export. This has required a continuing heavy investment, both in

manufacturing plants and in the development of technological know-how -- imported casein is now available from New Zealand in over 40 major specifications, many of which are divided into subgroups to meet particular customer requirements. This technically advanced and highly diversified group of products is the result of years of research into the application of casein.

Any notion that casein is simply a substitute for nonfat dry milk in its food and feed applications has been completely dispelled by the ITC and USDA in their reports. They describe both the functional and nutritional characteristics of casein which are not shared by nonfat dry milk and the uses in which nonfat dry milk could not be a substitute. In brief, these functional characteristics include the ability of casein to aid in gel formation, stabilize a foam or whip, increase viscosity, or hold fat in a stable emulsion without phase separation. According to the ITC, these properties allow for the use of casein in such food products as coffee whiteners, frozen desserts and whipped toppings. Nutritionally, the ITC reports that it is virtually uncontested that milk products, including nonfat dry milk, could not replace casein in a number of nutritional formulas, particularly those for persons intolerant to lactose or intact proteins.

The ITC also recognized the substantial factor of consumer preference in the choice of many casein containing products, disabusing any notion that price is the only criteria in the use of casein in manufactured food products. Casein is a product which allows the consumer this freedom of choice, it is a product which contributes to the economic well being of the processed food industry, but it is not a product which displaces nonfat dry milk.

Likewise, other milk protein product imports, such as whey protein concentrates and lactalbumins, are designed as functional food proteins. Whey protein concentrates are used in special dietary preparations and nutritional supplements. They are ideal proteins for the preparation of infant formulae which simulate

the specific characteristics of mother's milk. Lactalbumins are used for fortification of a wide variety of cereal goods which generally contain lower quality proteins, such as breakfast cereals, pasta, cookies and pizza crust.

U.S. produced whey protein concentrates normally have a protein concentration of 34-35% and are used primarily as milk replacers and fillers. These lower protein products are not incorporated in foods to utilize the functional characteristics of the protein that they contain, whereas the New Zealand produced 55% or higher protein products have a much wider and nutritionally more flexible utilization.

Finally, the United States' international obligations under GATT prohibit the restriction of trade in products unless certain agreed upon conditions are met. In the case of dairy products the U.S. was granted a waiver by the GATT for Section 22 of the Agricultural Adjustment Act of 1933. In seeking that waiver the U.S. made a statement which set forth the conditions under which restrictions could be imposed. In particular, paragraph (c) of that statement reads as follows:

> "that import restrictions can be imposed under Section 22 only when the President finds that imports are having or are practically certain to have the effects for which Section 22 action is required, and then, except as provided by law in emergency situations, only after investigation by the U.S. Tariff Commission (now the U.S. International Trade Commission), after due notice and opportunity have been given to interested parties;" GATT, 3rd Supp. BISD 32 (1955).

Thus, for restrictions to be imposed, either directly or indirectly, a Presidential determination must be made, a condition clearly not met by the tariff and quota proposals considered in the House. To couch such legislation in Section 22 language does nothing to meet the U.S.'s obligations under the waiver. Further, the zero duty on casein was bound in GATT negotiations with New Zealand. As such, the abrogation of that binding which would result from the enactment of quota (or tariff) legislation would not only violate the United States' obligations under GATT, but would entitle New Zealand to compensation.

The New Zealand dairy industry has committed, over many years, a considerable technical and commercial investment in the development of a major part of the United States market for casein and other milk protein products, and would be seriously damaged if there were any restrictions imposed on this trade. It is becoming increasingly obvious that any country's health is determined to a great extent by the health of its trading partners. The casein/milk protein trade is a perfect example. These products are the only New Zealand dairy exports to the United States not currently subject to protectionist quotas. Restriction of this legitimate business would reflect adversely on the United States' international trade posture, especially as no other industrialized country has seen the need to impose quantitative import restrictions on these products. It would also deprive United States end users and consumers of valuable products which serve them well economically and nutritionally - and so deprive them without any benefit accruing to a domestic industry.

Respectfully submitted,

Bronz & Farrell
Attorney for New Zealand Milk Products, Inc.
2021 K Street, N.W. - Suite 306
Washington, D.C. 20006
202/298-5966

Of Counsel:
Edward J. Farrell

This material is prepared, edited, issued or circulated by Bronz & Farrell which is registered with the Dept. of Justice under the Foreign Agents Registration Act as an agent of the New Zealand Dairy Board. This material is filed with the Dept. of Justice where the registration statement is available for public inspection. Registration does not indicate approval of this material by the U.S. government.

Written Testimony of
The Quaker Oats Company

My name is William M. Whiteford. I am a Vice President of Purchasing for the U.S. Grocery Products Area of The Quaker Oats Company in Chicago, Illinois.

The Quaker Oats Company is a significant direct and indirect user of casein and its mixtures for both pet foods and for human foods such as cereals, mixes and frozen products.

H.R.1381 and H.R.1436

Both bills would amend the Agriculture Act of 1949 by adding a new section that would impose quantitative restrictions on certain milk protein products, including casein, caseinates, lactalbumin, whey protein concentrates, or mixtures containing not less than 5 percent of any product mentioned above. The proposed restrictions would be imposed on these products each year in quantities equal to 50 percent of the average annual quantity of milk protein products imported during the period beginning January 1, 1981 and ending December 1, 1985.

H.R.1436, but not H.R.1381, would additionally establish a three-tier import licensing system giving first preference for importers or users who establish that importation or utilization is for purposes for which no substitutes are available, second preference for which domestically produced skim milk or skim milk solids cannot be substituted, and third preference for importers or users to which neither the first or second preference applies.

The purpose of both bills is to ensure that the quantities of milk protein products imported into the United States will not render ineffective, or materially interfere with, the price-support operations of the Agricultural Act of 1949.

Opposition Statement

The Quaker Oats Company is opposed to H.R.1381 and H.R.1436 and urges the House Trade Subcommittee and the Committee on Ways and Means to reject this legislation.

There is no domestic production or commercial availability of domestic casein in the United States. Restriction of this material by import quota would seriously disrupt an orderly market. Restricted supply would dramatically increase casein and other imported milk protein product prices with serious consequences for consumer costs and choice.

Quaker's Ken-L Ration Special Cuts dog food is manufactured using sodium caseinate. Because of sodium caseinate's functional properties in this product, we cannot substitute non-fat dry milk or other dairy or non-dairy materials and still have an acceptable product. Although use in Special Cuts would appear to meet all three preferences established in H.R.1436, price increases for casein as a consequence of market activity would quickly make casein uneconomic and lead to the abandonment of this widely accepted grocery product that has been available to consumers for almost 20 years.

We believe that enactment of H.R.1381 or H.R.1436 would violate the General Agreement on Tariffs and Trade and invite retaliation against U.S. industrial and agricultural exports. Further, several U.S. Department of Agriculture and U.S. International Trade Commission investigations of casein imports found that they did not materially affect the operation of the domestic milk price support program.

Thank you for this opportunity to present the views of The Quaker Oats Company on this legislation.

April 28, 1987
William M. Whiteford
Vice President - Purchasing
U.S. Grocery Products
The Quaker Oats Company
345 Merchandise Mart Plaza
Chicago, Illinois 60654

PHONE (414) 437-7601
TELEX 26 - 3478

SCHREIBER FOODS, INC.
425 PINE STREET • P.O. BOX 19010 • GREEN BAY, WISCONSIN 54307-9010

April 28, 1987

The Honorabl Sam Gibbons
Subcommittee on Trade
Committee on Ways and Means
U.S. House of Representatives
2204 Rayburn House Office Building
Washington, D.C. 20515

Dear Congressman Gibbons:

In response to the Committee's request for written testimony on HR 1381 and HR 1436, Schreiber Foods, Inc. submits the following testimony:

We urge the Committee to reject efforts to place import quotas on casein. Casein is not produced in this country and no other country places import restrictions on casein. The placing of casein under a quota would undoubtedly lead to a violation of the General Agreement on Tariffs and Trade.

Thousands of United States jobs depend upon the availability of imported casein. At Schreiber Foods, many jobs would be lost if casein availability were restricted. Although the major thrust of our business is in the packaging and processing of natural cheese, the manufacture of substitute cheese is an important part.

Consumers would be hurt if casein imports were restricted. Besides increasing the cost of many products, casein quotas would prevent the manufacture of different types of processed foods. There are several hundred of these foods which include: infant formulas for children with special dietary requirements or with lactose intolerance; special dietary supplements needed for safe weight-loss programs; special nutritional products for hospital and nursing home care; low cholesterol cheese substitutes; liquid and dry dessert toppings; non-dairy coffee creamers; bakery products and related mixes; breakfast drinks; canned and frozen meat dinners; diet beverages; wafers; dips; donuts; geriatric foods; gravies; hot chocolate mixes; imitation milks; meal bars; pies; potato chips; puddings; processed meat products; sauces; snacks; soups; and sour cream.

There is no direct relationship between U.S. government purchases of non-fat dry milk and casein imports. Two International Trade Commission investigations and two U.S. Department of Agriculture studies found no direct relationship between CCC purchases and imports of casein.

The use of casein for analog cheese has displaced little natural cheese since most substitute cheese is used in Italian style cheese on frozen pizzas. The sales of natural Italian style cheese has sustained a 10% or better per year growth for the past three years and has not been hindered by the sale of analog cheese.

We will be happy to provide the Committee with any additional information.

Respectfully yours,

Gary T. Dilweg
Director of Government Affairs

GTD/jek

CHEESE DIVISION

STELLA SCHBATTER LORRAINE
COMMITTEE ON WAYS AND MEANS
APR 27 1987
RECEIVED

April 22, 1987

Mr. Joseph K. Dowley
Chief Council
Committee on Ways and Means
U.S. House of Representatives
Room 1102
Longworth House Office Bldg.
Washington, D.C. 20515

Dear Mr. Dowley:

I am writing to comment on H.R. 1381 and H.R. 1436 concerning casein quotas.

The ITC and USDA have on four occasions investigated the impact of imported casein and concluded that it did not materially interfere with the dairy price or program. In addition, USDA has determined that a quota would increase retail product prices approximately three to four hundred million dollars.

As you know, there is no domestic casein industry and none can be established without significant and continuing subsidies. It is also clear that a quota would violate the GATT and may cause retaliatory tariffs to be imposed on U.S. export products.

Your consideration of the points outlined above is appreciated.

Sincerely,

Michael C. Irwin
Sr. Marketing Manager

MCI:hct
04228701-1

UNIVERSAL Foods CORPORATION
433 EAST MICHIGAN STREET MILWAUKEE, WISCONSIN 53201
414/271-6755

Virginia Port Authority

April 28, 1987

Committee on Ways and Means
C/O Joseph K. Dowley
General Counsel
U.S. House of Representatives
Longworth House Office Building
Room 1102
Washington, D.C. 20515

Dear Sir:

The Virginia Port Authority, an agency of the Commonwealth of Virginia charged by statute with promoting the flow of commerce through the ports of the State, respectfully objects to H.R. 1381 (Solomon Bill) and H.R. 1436 (Dorgan Bill), which seek to place 50% quotas on imported casein. Our objection to this proposed protectionist legislation is that imported casein is not produced in the United States, and is a very important commodity moving through the ports of Virginia. In 1986, 32,916 tons were imported through Virginia ports which was an increase over the 1985 level. If these imports are restricted in any way, port revenue and maritime-related jobs will be adversely affected throughout the Commonwealth of Virginia.

No country in the world restricts, in a protectionist manner, the importation of casein. At a time when the U.S. is trying to get its trading partners to open their markets to more U.S. goods, restricting casein imports could prompt some U.S. trading partners to retaliate against U.S. products. Casein is currently used in hundreds of products. Without the inexpensive casein, some of these products would not be available to U.S. consumers.

Enclosed is a brochure and fact sheet which will give you more information on this important issue. Thank you for your support and consideration.

Sincerely,

J. Stanley Payne, Jr.
Executive Assistant and General Counsel

Enclosure

cc: Max Berry, CAAC

(804)623-8000 TWX 710-881-1231
(800)446-8098 FAX 804-623-8500

FACT SHEET

COMMITTEE
TO ASSURE
THE
AVAILABILITY
OF CASEIN

Information Office
214 Massachusetts Ave., NE
Suite 520
Washington, DC
20002

202/544-0011

1. What is casein?

Casein is the *principal protein in milk*. It is one of the most complete proteins known, containing all of the amino acids essential to the human diet.

2. How is casein used?

Casein comes in edible compounds for consumer use and inedible compounds for industrial use, and is a major ingredient in hundreds of common products, including: bakery products, packaged cake mixes, canned and frozen "tv" dinners, cereals, confections, cosmetics, dietary supplements (including special infant formulas), pet foods, potato chips, frozen pizza, soups, puddings, sour cream, non-dairy creamers, and processed meat products. Its unique qualities make it irreplaceable in some of these products.

3. Is casein produced in the U.S.?

No—there is none. Before World War II, the U.S. had a substantial casein industry producing about 60 million pounds annually at over 600 U.S. plants. *The industry rapidly declined after the institution of the dairy price support program in 1949,* which made it more profitable for dairy firms to use skim milk for the production of non-fat dry milk than for the production of casein.

4. Why is casein an issue?

Because diary industry lobbyists are pushing legislation that would restrict casein imports. Under the dairy price support program, the U.S. government purchases "surplus" dry milk from U.S. dairy farmers. This has created a lot of political heat for the dairy lobby, as the cost of the program has skyrocketed. The response of the dairy lobby has been to blame casein imports for the huge surpluses, arguing that casein imports are crowding domestic products out of the market—thereby creating the surpluses the government is required to buy. In fact, *the surplus milk products exist because dairy interests find it profitable to overproduce,* knowing that the government will purchase what can't be sold on the open market.

5. Does any major country in the world impose a quota on casein today?

No. Not one major industrial country imposes a quota (or prohibitive tariff) on imports of casein. *Casein is the only major dairy product traded relatively freely internationally.* In fact, as the Department of State, White House and U.S. Special Trade Representative have advised the Department of Agriculture and Congress in the past, such a quota would violate the General Agreement on Tariffs and Trade (GATT).

6. What would be the reaction from our trading partners if casein was placed under quota?

Such an action would represent a move away from more liberalized international trade, at a time when the U.S. is encouraging its trading partners to reduce artificial trade barriers. *It would undoubtedly invite trade retaliation.*

7. What countries are major suppliers?

New Zealand, Australia and Ireland are the major exporters, accounting for about 75 percent to 80 percent of the total.

8. What U.S. products do these countries import?

The three casein exporting countries import American-made capital equipment, manufactured raw materials, machinery, chemicals, aircraft, and consumer products.

9. If a quota was placed on imported casein, what would be the impact on U.S. manufacturers?

Thousands of U.S. jobs depend upon the availability of imported casein. Any significant increase in costs to U.S. manufacturers would jeopardize those jobs. A Department of Agriculture study team found that *some U.S. manufacturers, faced with casein quotas, would shift their manufacturing operations overseas* where inexpensive casein would be readily available.

10. What would be the net effect of a casein import quota?

The restriction of casein would bid up casein's price, raising the cost of products which have casein as an ingredient. Casein is currently being imported at about $1.00 per pound. It's estimated that a quota would produce prices of over $3.00 per pound. The U.S.D.A. study team estimated that a quota would cost U.S. consumers "about $180 million." Other estimates place the cost higher.

11. What health and consumer products contain casein?

Several hundred products contain casein. Most of these are food products sold in the local grocery and drug store. These include: infant formulas for children with special dietary requirements or with lactose intolerance; special dietary supplements needed for safe weight-loss programs; special nutritional products for hospital and nursing home care; low cholesterol cheese substitutes; liquid and dry dessert toppings; non-dairy coffee creamers;

bakery products and related mixes; breakfast drinks; canned and frozen meat dinners; diet beverages; wafers; dips; donuts; geriatric foods; gravies; hot chocolate mixes; imitation milks; meal bars; pies; potato chips; puddings; processed meat products; sauces; snacks; soups and sour cream.

12. How else would consumers be affected.

In the course of one year, more than 50-million U.S. households use products containing casein. *A quota would result in sharply higher prices at grocery stores, supermarkets and drug stores—and fewer choices,* since some products could not be produced without casein.

13. What special nutritional products would be affected by a casein quota?

Special infant formula products for children with phenylketonuria, a genetic defect which can cause mental retardation; special formulas used in treating infants suffering from diarrhea and celiac disease; and special food products called "Medical Nutritionals," which are used as the sole source of nutrition or as a supplement for people who can't eat solid foods and who require special nutritional support because of illness or disease. *About one-million children, infants, and adults now use these special dietary products each year.* There is no substitute for casein in these products.

14. What industrial products use casein as a necessary ingredient?

Casein was first used for adhesive purposes in industry early in the 19th century and is still used this way. *Casein glues are among the best on the market.* Casein is also used widely in paints, leather finishing, in decorative plastics, and by the paper industry as a fine paper coating ingredient.

15. Dairy industry lobbyists say casein imports threaten the U.S. dairy industry, and are responsible for domestic milk surpluses. Is this so?

Hardly. The U.S. imports about 125 *million* pounds of casein per year. But that is just a tiny fraction of the 130 *billion* pounds of milk produced annually in the United States.

16. Is there a relationship between casein imports and U.S. government purchases of nonfat dry milk?

Yes and no. Yes in the sense that casein is no longer produced in the United States because U.S. dairy interests stopped manufacturing it when it became more profitable for them to use skim milk for the production of nonfat dry milk (which the government will purchase under the milk price support program). In terms of a direct relationship, however, the answer is "no." The dairy lobby argues that because many U.S. manufacturers use casein as an ingredient in their products, dairy farmers are unable to sell all of the milk they produce—and are forced to turn it into dry milk, which the government buys. The U.S. International Trade Commission and Department of Agriculture, however,

79-592 O - 88 - 3

have found no relationship between the level of casein imports and the purchase of nonfat dry milk under the dairy price support program. In 1975, for example, casein imports declined dramatically from 1974, but government purchases of nonfat dry milk increased significantly—the exact opposite of what the dairy lobby says should happen. In 1980, casein imports were the same as they were the year before, 151-million pounds, but nonfat dry milk purchases by the government nearly tripled. In 1981, casein imports declined by about 25-million pounds, but government dry milk purchases increased again, by another 25 percent.

17. Dairy industry lobbyists also claim casein imports are hurting U.S. manufacturers of natural cheese, since casein is used in cheese substitutes—especially those used in various frozen and prepared products, such as frozen pizza. Is that true?

Since casein is used overwhelmingly in substitute Mozzarella cheeses, it is interesting to note that natural Mozzarella cheese production has been breaking all records in the United States in recent years. In the State of Wisconsin, for example, production of Italian-type natural cheese increased 10 percent in 1985 over the previous year. Mozzarella was the leading variety, accounting for 74 percent of all Italian cheese produced in Wisconsin in 1985. With record production and sales, the producers of natural cheese can not claim they are being hurt by cheese substitutes which use casein.

H.R. 1415

To increase temporarily the duty on apple juice

No statements submitted.

H.R. 1460

To extend the temporary suspension of duty on certain textile machines

STATEMENT OF THE NORTHERN TEXTILE ASSOCIATION IN SUPPORT OF H.R. 1460 A BILL TO EXTEND THE TEMPORARY SUSPENSION OF DUTY ON CERTAIN TEXTILE MACHINES

The Northern Textile Association (NTA) represents manufacturers of wide and narrow elastic fabrics, wool fabric and yarns, felt products, flocked products, luxury fiber products, and various other specialized segments of the textile industry. The majority of NTA members are located in the Northeast although the Association does have members throughout the United States. The Elastic Fabric Manufacturer's Council and the Narrow Elastic Manufacturers Association (NEMA) are affiliated divisions of the NTA.

Members of the Elastic Fabric Manufacturers Council strongly support H.R. 1460 which was introduced during the first session of the 100th Congress by Representative Richard T. Schulze (R-PA). H.R. 1460 would extend the temporary suspension of duty on certain textile machines included in part one of the Appendix to the Tariff Schedules of the United States as Items 912.04 and 912.11. Item 912.04 relates to "power driven weaving machines for weaving fabrics not over 12 inches in width". Item 912.11 relates to "decorative lace-braiding machines using the jacquard system, and parts thereof."

The machines covered by this legislation are used in the production of woven narrow fabrics which have a wide variety of end uses in apparel, medical, industrial, and home furnishings applications. This equipment is not available from domestic manufacturers and must be purchased from foreign suppliers, located primarily in Europe.

Narrow fabric weaving machines and decorative lace-braiding machines currently enter the United States duty free because of previously enacted duty suspension legislation. However, the duty suspension legislation which is currently in effect is due to expire on December 31, 1987. H.R. 1460 would amend the appendix to the Tariff Schedules of the United States by striking out "12/31/87" and inserting "12/31/91". Narrow fabric manufacturers oppose the imposition of a duty on machinery which is not produced domestically but is vital for efforts to increase productivity and compete in a highly internationalized marketplace.

Many members of the Northern Textile Association's Elastic Fabric Manufacturers Council and the Narrow Elastic Manufacturers Association have been purchasing machines which would be covered by H.R. 1460 from Switzerland, West Germany, and Japan. These companies regard these purchases as key to their modernization and productivity increasing efforts as well as their attempts to continue as players in an extremely competitive international textile and apparel market. If H.R. 1460 is not enacted a column one import duty of 4.7 percent ad valorum would take effect begining on January 1, 1988.

A 1984 study by the Northern Textile Association indicated that the United States has over 150 plants which produce narrow fabrics. These facilities employ over 20,000 people with an estimated combined annual payroll exceeding $300 million. Many of these plants manufacture for export as well as domestic consumption, although the international trading environment has complicated export opportunities.

Enactment of H.R. 1460 will benefit American consumers because domestic customers of the narrow fabric industry will have access to higher quality American made narrow fabrics at a lower cost. If the current duty suspension is extended until December 31, 1991, American companies will have an opportunity to continue replacing outdated equipment with newer high technology machinery in a cost-effective manner. Access to new equipment without the penalty of a tariff will help to insure that American narrow fabric producers will be more competitive at home and abroad.

Narrow fabric products are in great demand by designers and manufacturers worldwide. U.S. government policy decisions which help American producers modernize will preserve existing jobs and stimulate exports. During the 1970's and 1980's domestic narrow fabric manufacturers established a significant export market. Industry modernization is crucial if this export market is to be retained and expanded.

In no way would H.R. 1460 have an adverse affect on domestic producers of textile machinery. The products covered by this legislation are manufactured exclusivly by overseas concerns and do not compete with American made textile machinery products.

The Northern Textile Association, the members of the Elastic Fabric Manufacturers Council, and the members of the Narrow Elastic Manufacturers Association, respectfully urge members of the House Ways and Means Subcommittee on trade to favorably report H.R. 1460.

Northern Textile Association
230 Congress Street
Boston, MA 02110

May 4, 1987

I

100TH CONGRESS
1ST SESSION

H. R. 1460

To extend the temporary suspension of duty on certain textile machines.

IN THE HOUSE OF REPRESENTATIVES

MARCH 5, 1987

Mr. SCHULZE introduced the following bill; which was referred to the Committee on Ways and Means

---

A BILL

To extend the temporary suspension of duty on certain textile machines.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That items 912.04 (relating to certain narrow weaving machines) and 912.11 (relating to certain lace-braiding machines) of the Appendix to the Tariff Schedules of the United States (19 U.S.C. 1202) are each amended by striking out "12/31/87" and inserting "12/31/91".

○

Item	Stat. Suf-fix	Articles	Units of Quantity	Rates of Duty		
				1	Special	2
		Subpart E. - Textile Machines; Laundry and Dry-Cleaning Machines; Sewing Machines				
		Subpart E headnote:				
		1. For purposes of applying item 670.74 to parts of articles provided for under item 912.04, any such part that is entered, or withdrawn from warehouse for consumption, during the effective period of item 912.04 shall be dutiable at the rate that would apply if that item had not been enacted.				
670.00	00	Machines suitable for extruding or drawing man-made textile filaments	No.	4.7% ad val.	Free (A,E,I)	40% ad val.
		Machines used to prepare natural or man-made fibers, or combinations thereof, for spinning, for use as stuffing, or for the manufacture of nonwoven felts or wadding; spinning machines, twisting machines, doubling machines, and other textile machines for producing yarns:				
670.02	00	Specially designed for vegetable fibers (except cotton)	No.	3.1% ad val.	Free (A,E,I)	40% ad val.
670.04	00	Specially designed for wool	No.	4.7% ad val.	Free (A,E,I)	40% ad val.
670.06		Other		4.2% ad val.	Free (A,E,I)	40% ad val.
	20	Spinning machines	No.			
	40	Twisting machines	No.			
	60	Other machines	No.			
670.12		Textile reeling or winding machines; textile beaming, warping, or slashing machines, and other textile machines for preparing yarns to be woven, knit, braided, or otherwise made into textile fabrics or other textile articles		4.7% ad val.	Free (A,E,I)	40% ad val.
	20	Reeling or winding machines	No.			
	40	Other	No.			
		Weaving machines, knitting machines, and textile machines for making lace, net, braid, embroidery, trimmings, fabrics, or other textile articles:				
670.14		Weaving machines		4.7% ad val. 1/	Free (A,E,I)	40% ad val.
		Power driven:				
	10	For weaving fabrics not over 12 inches in width	No.			
		For weaving fabrics over 12 inches in width:				
	20	Shuttle type	No.			
		Shuttleless type:				
	32	Rapier type	No.			
	34	Jet type	No.			
	39	Other	No.			
	40	Other (including hand looms)	No.			

1/ Duty on certain weaving machines temporarily suspended. See item 912.04 in part 18, appendix to the Tariff Schedules, and general headnote 3(d)(ii).

Item	Stat. Suf-fix	Articles	Units of Quantity	Rates of Duty		
				1	Special	2
		Weaving machines, knitting machines, and textile machines for making lace, net, braid, embroidery, trimmings, fabrics, or other textile articles (con.):				
		Circular knitting machines:				
670.16	00	Hosiery	No.	4.4% ad val.	Free (A,E,I)	40% ad val.
670.17		Other		4.2% ad val. 1/	Free (A,E,I)	40% ad val.
	35	Open top cylinder machines	No.			
		Cylinder and dial machines:				
	40	Designed for sweater strip or garment length knitting	No.			
	50	Other	No.			
	60	Double cylinder machines for sweater strip or garment length knitting	No.			
	80	Other	No.			
		Knitting machines other than circular knitting machines:				
670.18	00	Full-fashioned hosiery machines	No.	5.1% ad val.	Free (A,E,I)	40% ad val.
670.19	00	V-bed flat knitting machines	No.	5.1% ad val. 2/	Free (A,E,I)	40% ad val.
670.20	00	Warp knitting machines	No.	Free		40% ad val.
670.21	00	Other	No.	4.7% ad val.	Free (A,E,I)	40% ad val.
		Lace- and net-making machines (except lace-braiding machines):				
670.22	00	Leavers (including go-through) machines	No.	4.2% ad val.	Free (A,E,I)	30% ad val.
670.23	00	Other	No.	3.7% ad val.	Free (A,E,I)	30% ad val.
670.25	00	Braiding and lace-braiding machines	No.	4.7% ad val. 3/	Free (A,E,I)	40% ad val.
670.27	00	Embroidery machines	No.	4.2% ad val.	Free (A,E,I)	30% ad val.
670.29	00	Other	No.	4.4% ad val.	Free (A,E,I)	40% ad val.
		Machines for making or finishing felt and nonwoven fabrics including bonded fabrics, in the piece or in shapes, including felt-hat making machines and hat-making blocks; and parts thereof:				
670.33	00	Finishing machines and parts thereof	X	5.1% ad val.	Free (A,E,I)	40% ad val.
670.35	00	Other	X	4.4% ad val.	Free (A,E,I)	40% ad val.

1/ Duty on cylinder, double cylinder, and dial knitting machines temporarily suspended. See item 912.17 in part 1B, Appendix to the Tariff Schedules, and general headnote 3(d)(ii).

2/ Duty on certain power driven flat knitting machines temporarily suspended. See item 912.13 in part 1B, Appendix to the Tariff Schedules, and general headnote 3(d)(ii).

3/ Duty temporarily suspended. See item 912.11 in part 1B, Appendix to the Tariff Schedules, and general headnote 3(d)(ii).

Item	Stat. Suf-fix	Articles	Units of Quantity	Rates of Duty		
				1	Special	2
		Parts of textile machinery (con.):				
		Needles for knitting machines:				
670.58	80	Latch needles	No	10% ad val.	Free (A,E) 4% ad val.(I)	$2 per 1,000 + 60% ad val.
670.60	80	Spring-beard needles	No	19c per 1,000 + 6.4% ad val.	Free (E,I)	$1.50 per 1,000 + 50% ad val.
670.62	80	Other	No	23c per 1,000 + 8.2% ad val.	Free (E) 3.6% ad val.(I)	$1.15 per 1,000 + 40% ad val.
670.64	80	Needles for embroidery machines	No	21c per 1,000 + 5.6% ad val.	Free (A,E,I)	$1.15 per 1,000 + 40% ad val.
670.66	80	Shuttles for embroidery machines	No	4.8% ad val.	Free (A,E,I)	30% ad val.
670.68	00	Spinning and twisting ring travelers	Lb	7.8% ad val.	Free (A,E) 3.1% ad val.(I)	35% ad val.
670.70	00	Textile pins	No	5.8% ad val.	Free (A,E,I)	20% ad val.
670.72	00	Wire heralds and heddles	No	4c per 1,000 + 5% ad val.	Free (A,E,I)	25c per 1,000 + 30% ad val.
670.74		Parts not specially provided for		The rate for the machines of which they are parts 1/	Free (A,E,I)	The rate for the machines of which they are parts
		Parts of machines used to prepare natural or man-made fibers or combinations thereof, for spinning, for use as stuffing, or for the manufacture of nonwoven felts or wadding; parts of spinning machines, twisting machines, doubling machines, and other textile machines for producing yarns:				
	05	Parts of spinning machines	X			
	10	Other	X			
	20	Parts of yarn or filament reeling or winding machines; textile beaming, warping, or slashing machines, and other textile machines for preparing yarns to be woven, knit, braided, or otherwise made into textile fabrics or other textile articles	X			
	30	Parts of power-driven weaving machines	X			
	40	Parts of knitting machines	X			
	80	Other	X			

1/ Duty on certain parts temporarily suspended. See items 912.11, 912.13, and 912.17 in part 1B, Appendix to the Tariff Schedules.

Item	Stat. Suf-fix	Articles	Units of Quantity	Rates of Duty 1	Special	2	Effective Period
911.50	1/	Unwrought lead other than lead bullion (provided for in item 624.03, part 2G, schedule 6).....	1/	3% ad val. on the value of the lead content, but not less than 1.0625¢ per lb. on the lead content	No change (E,I)	No change	On or before 12/31/'89
911.80	1/	Freight containers specially designed and equipped to facilitate the carriage of goods by one or more modes of transport without intermediate reloading, each having a gross mass rating of at least 40,000 pounds (provided for in 660.30, part 3A, schedule 6).....	1/	Free		No change	On or before 12/31/88
911.90	1/	Unwrought alloys of cobalt containing, by weight, 76% or more but less than 99% cobalt (provided for in item 632.88, part 2B, schedule 6).....	1/	Free		No change	On or before 12/31/'87
911.95	1/	Entertainment broadcast band receivers valued not over $40 each (however provided for in schedule 6) incorporating timekeeping or time display devices, not in combination with any other article, and not designed for motor vehicle installation.....	1/	Free		No change	On or before 12/31/'88
912.02	1/	Magnetron tubes with an operating frequency of 2.450 GHz and a minimum power of at least 500 watts and a maximum power not greater than 2000 watts (provided for in item 684.28, part 5, schedule 6).....	1/	Free		No change	On or before 12/31/'88
912.04	1/	Power driven weaving machines for weaving fabrics not over 12 inches in width (provided for in item 670.14, part 4E, schedule 6).....	1/	Free		No change	On or before 12/31/'87
912.06	1/	Generator lighting sets for bicycles, and parts thereof (provided for in item 653.39, part 3F, schedule 6).....	1/	Free		No change	On or before 6/30/86
912.07	1/	Machines designed for heat-set, stretch texturing of continuous man-made fibers (provided for in item 670.08, part 4E, Schedule 6).....	1/	Free		No change	On or before 12/31/'85
912.08	1/	Single cylinder fine gauge hosiery knitting machines and double cylinder jacquard hosiery knitting machines (provided for in items 670.16 and 670.18, part 4E, schedule 6).....	1/	Free		No change	On or before 9/30/87
912.09	1/	Double-headed latch needles (provided for in item 670.58, part 4E, schedule 6).....	1/	Free		No change	On or before 6/30/'85
912.10	1/	Caliper brakes, drum brakes, coaster brakes, two-speed hubs with internal gear-changing mechanisms, three-speed hubs incorporating coaster brakes, three-speed hubs not incorporating coaster brakes, click twist grips, trigger and twist grip controls for three-speed hubs, multiple free wheel sprockets, centerless type crank sets, frame lugs, parts of all the foregoing, including cable or inner wire for caliper brakes and casing therefor, whether or not cut to length, and parts of bicycles consisting of sets of steel tubing cut to exact length and each set having the number of tubes needed for the assembly (with other parts) into the frame and fork of one bicycle (provided for in items 732.35, 732.38, 732.41, and 732.42, part 3C, schedule 7).....	1/	Free		No change	On or before 6/30/86

1/ See Appendix statistical headnote 1.

Note: The shaded area indicates that the effective period for special tariff treatment has expired.

Item	Stat. Suf-fix	Articles	Units of Quantity	Rates of Duty 1	Rates of Duty 2	Effective Period
912.11	1/	Decorative lace-braiding machines using the jacquard system, and parts thereof (provided for in items 670.25 and 670.74, part 4F, schedule 6).....	1/	Free	No change	On or before 12/31/87
912.13	1/	Power-driven flat knitting machines over 20 inches in width and parts thereof (provided for in items 670.19, 670.20, and 670.74, part 4F, schedule 6).....	1/	Free	No change	On or before 12/31/88
912.15	1/	Externally-powered electric prosthetic devices for amputees (provided for in item 709.57, part 2B, schedule 7), and parts thereof.....	1/	Free	No change	On or before 9/30/84
912.17	1/	Cylinder, double cylinder, and dial knitting machines and parts thereof, all the foregoing designed for sweater strip or garment length knitting (provided for in items 670.17 and 670.74, part 4F, schedule 6).....	1/	Free	No change	On or before 12/31/89
912.20	1/	Articles provided for in parts 5b and 5E of schedule 7 (except balloons, marbles, dice, and diecast vehicles), valued not over five cents per unit; and jewelry provided for in part 6A of schedule 7 (except parts), valued not over 1.6 cents per piece....	1/	Free	No change	On or before 12/31/85
912.30	1/	Stuffed dolls (with or without clothing) and doll skins for stuffed dolls (provided for respectively in items 737.23 and 737.24, part 5E, schedule 7).....	1/	Free	No change	On or before 12/31/85
912.34	1/	Stuffed or filled toy figures of inanimate objects not having a spring mechanism (provided for in item 737.47, part 5E, schedule 7).....	1/	Free	No change	On or before 12/31/85
912.36	1/	Skins for stuffed toy figures of animate and inanimate objects (provided for in item 737.51, part 5E, schedule 7).....	1/	Free	No change	On or before 12/31/85
912.45	1/	Frames for hand-held umbrellas chiefly used for protection against rain (provided for in item 751.20, part 8D, schedule 7).....	1/	Free	No change	On or before 12/31/86
915.00	1/	Personal effects of aliens who are participants in or officials of the XXIII Olympiad, or who are accredited members of delegations thereto, or who are members of the immediate families of any of the foregoing persons, or who are their servants; equipment for use in connection with the games; and other related articles as prescribed in regulations issued by the Secretary of the Treasury....	1/	Free	Free	On or before 9/30/84

1/ See Appendix statistical headnote 1.

Note: The shaded area indicates that the effective period for special tariff treatment has expired.

H.R. 1462

To temporarily suspend the duty on certain benzenoid dye intermediates

CROMPTON & KNOWLES CORPORATION'S WRITTEN TESTIMONY IN SUPPORT OF H.R. 1462

Crompton & Knowles Corporation is a U.S.-owned company whose principal activity is the manufacture of dyestuffs. It has plants in Reading, Pennsylvania; Gibraltar, Pennsylvania; Newark, New Jersey; Lowell, North Carolina; and Tertre, Belgium and corporate headquarters in New York City, New York and Parsippany, New Jersey.

Crompton & Knowles purchases the imported benzenoid intermediates listed in H.R. 1462 for use in its manufacture of finished dyestuffs. Crompton & Knowles sells its finished dyestuffs to the domestic textile, paint, paper, and food industries. In addition, it sells some of the finished dyestuffs abroad to various foreign industries.

To our knowledge, there are no domestic, commercial manufacturers of any of the benzenoid intermediates listed in H.R. 1462. Nor are there any U.S.-manufactured products which are substitutes for these benzenoid intermediates. As a result, Crompton & Knowles has no choice but to purchase these essential benzenoid intermediates from foreign sources. The elimination of domestic sources of benzenoid intermediates is largely attributable to the major reduction in the number of U.S. dyestuff manufacturers. Crompton & Knowles is one of only

three remaining U.S.-owned dyestuff manufacturers. While there are six other foreign-owned dyestuff manufacturers with U.S. facilities, in many cases they can import these dye intermediates from their parents at lower prices than are available to us.

Crompton & Knowles' involuntary reliance on imported benzenoid intermediates has made it difficult for the company to compete against the increasing amount of imported dyes. Today, over 50% of the dyes sold in the United States are imported, and continued foreign penetration of the U.S. dye market is expected. Approval of this bill would help reduce production costs for all U.S. dyestuff manufacturers, including Crompton & Knowles, and greatly assist the domestic industry's efforts to maintain or increase its U.S. market share. In addition, temporary suspension of these duties would improve the position of domestic dyestuff manufacturers in the world market where they compete against companies with lower raw material, labor, and environmental costs.

Crompton & Knowles supports the proposed legislation to temporarily suspend the duty on certain benzenoid intermediates because there are no U.S. sources for the imported intermediates. Enactment of this legislation would benefit all U.S. dyestuff manufacturers without harming any U.S. industry. Accordingly, we strongly urge your positive consideration of H.R. 1462.

H.R. 1515

To equalize the duties on canned tuna

Statement

of

American Tunaboat Association

Introduction:

The American Tunaboat Association (ATA) organized in 1921, is presently a non-profit trade association formed and operating under the laws of the State of California. Its membership is comprised exclusively of persons who own and operate tuna purse seiners. Vessels of this type account for over 98 percent of those domestic tuna landings sold for processing into a canned product by U.S. processing plants. This fleet fishes for those species of tuna that are canned with a label describing the tuna as "lightmeat". According to the International Trade Commission (ITC), in 1985, "lightmeat" canned tuna accounted for 82 percent of the U.S. canned tuna market compared with 18 percent for "whitemeat" or albacore tuna.

During the period 1958-1963, the members of the ATA developed efficient, large scale tuna vessels utilizing the purse seine technique, and during the period 1969-1979, new, larger "super seiners" were built to expand into new fishing grounds discovered in the South Atlantic and Western Pacific. The worldwide adoption of the U.S. purse seine technology, particularly by Japan, France and Spain, has decreased the original competitive advantage developed by the U.S. fishermen. In the past four years, citizens of Ecuador, Mexico, Venezuela, Taiwan and South Korea have built U.S. type purse seiners or purchased U.S. built seiners. At present, there is an estimated 317 tuna purse seiners presently afloat in the World. Of the present 1.4 million tons of "lightmeat" tunas caught for the canned tuna market, it is believed that about 60% is landed by tuna purse seiners.

During the period 1957-1986, there were 257 vessels built or converted as tuna seiners for the U.S. fleet. As a result of losses at sea, transfer to foreign flags and transfers to other U.S. fisheries, the U.S. Tuna Purse Seine fleet as of April 1, 1987 is composed of 73 vessels, ATTACHMENT 4.

It is our conviction that unfair international competition in the trade of canned tuna, assisted by unrealistic U.S. tariff levels and structure, is causing the removal of tuna vessels, talented tuna fishermen, and other assets involved in the production and processing of frozen tuna away from the United States. Such trend, if allowed to continue, will endanger the future capacity of U.S. citizens to effectively compete in the "international trade" of frozen and processed tuna. The removal of a U.S. tuna fishery from the world trade of tuna will harm the long-term interests of the U.S. consumer and also the interests of the United States in the conservation and management of the tunas in the world's oceans.

Recommendation: Passage of H.R. 1515

The American Tunaboat Association favors enactment of H.R. 1515, a bill to equalize the duties on imported canned tuna beacause it will prevent the continuance of unfair international competitive practices in the trade of frozen and canned tuna.

Analysis of H.R. 1515

- In amending TSUS item No. 11290, H.R. 1515 would decrease the column 1 (35%) and column 2 (45%) rates on imports of canned tuna packed in oil to 24% and 35% duty rates, respectively.

79-592 O - 88 - 4

• In creating a new TSUS item No. 112.32, H.R. 1515 makes the duty rates applicable to item 112.90 also applicable to imports of canned tuna packed not in oil.

• In striking out TSUS items No. 112.30 and 112.34, H.R. 1515 removes a quota arrangement that allows imported canned tuna packed in water to be subject to a 6% duty rate if under quota and to a 12.5% duty rate if above quota.

• The amendments of H.R. 1515 would apply to articles entered, or withdrawn from warehouse for consumption, on or after the 15th day after the date of the enactment of the Act.

Background:

1. The practice of the United States in applying different tariffs to imports of canned tuna packed in oil and imports of canned tuna not packed in oil is unique (excepting Canada) in the world trade of canned tuna. The origin of this practice came about because of a war-time agreement between the USA and Iceland dated August 27, 1943. The Agreement had nothing to do with tuna products, because Iceland was not involved in the tuna fishery. The Agreement created a new trade article that involved a duty rate of 12 1/2 percent ad valorem for fish not packed in oil, or in oil with other substances. For a historical review, see: Written Comments on Certain Tariffs and Trade Bills (WMCP 99-11); Committee on Ways and Means, 99th Cong. 1st Session, September 16, 1985, pp 282-284.

2. Japanese imports of canned tuna not packed in oil first entered the U.S. market in 1951. The product was labeled "tuna in brine".

3. Imports of canned tuna not in oil have been subject to tariff quotas since April 14, 1956. From 1956 to 1967, the duty rate under quota was at 12.5% ad valorem; 1968, 11%; 1969, 10%; 1970, 8.5%; 1971, 7% and in 1972 to the present, at 6%. The over quota rate in 1970 was at 17% ad valorem; 1971, 15%; and from 1972 to the present, at 12 1/2%.

4. Based upon USITC Publication 1558, August 1984, page A-23, the quantity of canned tuna in water imported for consumption came to 53,077,000 pounds in 1979, and 63,107,000 pounds in 1980; the value of such imports came to $64,330,000 in 1979, and $96,685,000 in 1980; the unit value came to $1.21 per pound in 1979 and $1.53 per pound in 1980.

a. Attached is Fishery Market News Report T-16 dated 11 February 1986 showing U.S. imports of canned tuna in water and oil for the calendar years 1981-1986. ATTACHMENT 1

b. Also attached is Fishery Market News Report T-5, dated January 14, 1987 showing U.S. imports of canned tuna in water only for the calendar years 1981-1986. ATTACHMENT 2.

c. The percentage change, 1986 from 1979, of imported canned tuna in terms of:

quantity	236.6 percent
value	228.6 percent

d. The absolute change, 1986 from 1979, of imported canned tuna in terms of:

quantity	182.9 million pounds
value	163.5 million dollars

e. Based upon a conversion figure of 19.5 pounds per standard

5. Based upon USITC Publication 1912, October 1986, the duty rates on canned tuna for the EEC, Thailand, Philippines, and Japan are as follows:

EEC - 24%
Thailand - 60%
Philippines - 50%
Japan - 20% general duty
15% GATT rate
6.4% preferential rate for countries having a special trade agreement and to canned skipjack and other bonito

6. Based upon an FAO publication entitled "Register of Import Regulations for Fish and Fishery Products (1986), "the duty rates on canned tuna for the countries of South Korea, Mexico, Venezuela, Brazil, Ecuador, and Canada are as follows:

South Korea - 30% general duty
Mexico - 50%
Venezuela - 100%
Brazil - 85% basic
185% in force (at present, imports of these products have been suspended)
Ecuador - 80%
Canada - (a) packed in oil: general tariff - 35%
(b) packed in water: general tariff - 30%

Extracts from the Executive Summary of the USITC Report to the President on Investigation No. 332- 224, under Section 332 of the Tariff Act of 1930, As amended, entitled "Competitive Conditions in the U.S. Tuna Industry" Publicatin 1912, October 1986: page xiv-xxiv..

1. The United States is the world's largest market for canned tuna and is second only to Japan as a market for fresh and frozen tuna.

- Virtually all U.S. consumption of frozen tuna is accounted for by the 6 canning firms that operate 8 plants. 5 of these plants are located in Puerto Rico, 2 in American Samoa and 1 in California. The 3 largest firms (Star Kist, Van Camp and Bumble Bee) accounted for 81% of domestic shipments of canned tuna in 1985.

2. Thailand is the world's largest exporter of canned tuna. U.S. imports of canned tuna from Thailand rose from 5 million pounds valued at $5 million, in 1979, to 123 million pounds, valued at $112 million in 1985. (In 1986, Thailand's imports rose to 152 million pounds, valued at $140 million, representing 64% of the U.S. market, in terms of quantity, ATTACHMENT 2.)

- U.S. Tuna canning firms began importing canned tuna produced in Thailand in 1984.

3. In 1979, canned tuna in water represented 45% of apparent consumption while tuna in oil shared 55% of the total. In 1985, tuna in water shared 72% of the total and tuna in oil 28%.

- Imports accounted for the bulk of the overall increase in U.S. canned tuna consumption during 1979-85.

- A change in consumer preferences contributed to the

increase in consumption of canned tuna packed in water.

- The U.S. tariff structure for imports of canned tuna contributed to the increase in market share for canned tuna packed in water, as duties for this type of product ranged between 6 and 12.5 percent ad valorem compared with 35 percent ad valoren for canned tuna packed in oil. Thus, virtually all U.S. canned tuna imports are packed in water.

4. Competition in the U.S. market for canned tuna is greatest in the institutional - market segment, where imports increased from 43 percent in 1979 to 62 percent in 1985.

- In the private label segment, imports increased from 2 percent in 1979 to 20 percent in 1985.

- Price is a major demand factor in the institutional and private label segments, and price competitiveness of imports led to the increases in their share of these segments.

- In the advertised-brand retail market sector, the share held by U.S. processors ranged between 94 and 98 percent during 1979-85 (although a portion of this share is accounted for by canned tuna obtained by U.S. processors from foreign sources).

5. Productive capacity in both harvesting and processing in the U.S. tuna industry has been decreasing.

- The number of U.S. flag purse seiners declined from 124 at the end of 1979 to 90 at the end of 1985, and the fleet-wide hold capacity declined from 114,000 short tons to 97,000 short tons during the same period. (This is the fleet that accounts for about 98% of the "lightmeat tuna" landings of U.S. citizens).

  - By the end of 1986, the fleet declined further to 82 vessels and 90,189 short tons capacity. ATTACHMENT 4.

  - As of April 1, 1987, the fleet size declined to to 73 vessels of 79,089 short tons capacity including 6 vessels of 5,110 short tons capacity that are idle in port. ATTACHMENT 4.

- The number of U.S. tuna - processing plants decreased from 22 in 1979 to 8 in 1985, while industry-wide capacity to process frozen tuna declined from 889 million pounds in 1979 to 676 million pounds in 1985.

- In California, where tuna canning was born in 1903, the landings of frozen tuna in 1980 totaled 384,100 million pounds valued to the fishermen at $218,845,000; in 1986, landings fell to 67,684 million pounds valued at $26,746,000. The percentage decline from 1986 to 1980 was about 467 percent; the absolute drop in quantity landed was 316,416 million pounds. As indicated in the attachment concerning California landings and value of fish and shellfish for the period 1980-1986, the decline in the California tuna fishery caused a significant adverse impact. Total landings of fish and shellfish in California for 1980 came to 799,950 million pounds, but in 1986, landings fell to 397,683 million pounds, a percentage decline of over 101 percent. ATTACHMENT 3.

6. U.S. Tuna harvestors have suffered significant losses during the 1979-85 period of investigation, while U.S. tuna processors have fared better in recent years, recovering from the low profitability of the 1982-83 period.

- In no year during the 1979-85 period did the average U.S. tuna purse seiner earn a positive return on net sales of frozen tuna. The best year was 1980, a year of high prices for frozen tuna, in which the average vessel suffered a 2% loss (before taxes) on net sales. The worst year was 1982, in which a -34 percent loss on net sales was incurred. In 1985, the average return was -26 percent of net sales.

- Net income before income taxes of U.S. tuna processors fell to a low of - 5.5 percent of net sales in 1982 and 4.7 percent in 1983, the worst performance of the firms during the 1979-85 period. Net income before income taxes rose to 5.6 percent of net sales in 1985, the peak year during 1979-85.

7. The significant impediments to exports of canned tuna to markets such as Western Europe has indirectly affected the U.S. market by redirecting foreign production from such protected markets to the relatively less protected U.S. market. As a result, U.S. imports of tuna products are higher than they might be if there were less effective barriers to exports to the Western European market.

- Industry sources in the United States, Thailand and Western Europe note that major exporting nations such as Thailand shift between markets depending on relative net prices; these net prices are affected by tariffs and other costs of trade. To the extent that barriers to trade in non-U.S. markets direct world trade to the U.S. market thereby reducing U.S. prices, the impact of such barriers on U.S. producers and consumers of tuna products is marginally different than if the barriers had a direct impact on U.S. exports.

Conclusion:

Thank you for this opportunity to present the views of the American Tunaboat Association on why we strongly urge favorable action on H.R. 1515.

August Felando
President
Americn Tunaboat Association

U.S. IMPORTS FOR CONSUMPTION BY PRINCIPAL SOURCES
TUNA IN AIRTIGHT CONTAINERS (OIL AND WATER)
JANUARY - DECEMBER
1981 - 1986

SOURCE	1981	1982	1983	1984	1985	1986
			QUANTITY (1,000 POUNDS)			
ECUADOR	---	---	---	890	5,175	3,036
INDONESIA	146	595	2,634	2,222	1,588	875
JAPAN	21,271	26,481	20,387	26,855	33,703	30,598
MALAYSIA	696	755	3,083	2,606	3,678	2,401
PHILIPPINES	21,451	27,631	32,018	37,225	30,797	27,982
SOUTH KOREA	31	49	68	82	58	1,443
SPAIN 1/	170	120	133	214	336	237
TAIWAN	15,771	10,704	18,710	17,935	23,472	28,579
THAILAND	10,315	18,667	39,930	89,685	122,666	152,297
VENEZUELA	---	---	---	3	923	7,328
OTHER	1,001	2,575	3,260	597	1,552	2,095
TOTAL	70,852	87,579	122,329	162,313	213,948	236,621
			VALUE (1,000 DOLLARS)			
ECUADOR	---	---	---	837	4,676	2,603
INDONESIA	209	699	2,679	2,102	1,186	690
JAPAN	36,453	38,561	24,643	29,186	28,142	14,755
MALAYSIA	1,230	1,242	4,068	1,893	4,498	3,160
PHILIPPINES	30,504	31,085	32,291	20,396	25,930	25,124
SOUTH KOREA	58	79	69	75	58	1,230
SPAIN 1/	402	300	268	376	560	557
TAIWAN	24,631	14,366	22,772	22,475	29,801	34,483
THAILAND	15,400	22,711	43,259	89,253	111,852	139,561
VENEZUELA	---	---	---	7	851	6,389
OTHER	1,471	4,299	4,289	677	1,584	2,074
TOTAL	110,358	113,347	137,324	167,270	209,138	228,626
			UNIT VALUE (PER POUND)			
ECUADOR	$ ---	$ ---	$ ---	$ 0.94	$ 0.90	$ 0.91
INDONESIA	1.43	1.18	1.01	0.95	0.85	0.85
JAPAN	1.71	1.46	1.20	1.09	1.19	1.40
MALAYSIA	1.77	1.64	1.32	1.18	1.16	1.32
PHILIPPINES	1.42	1.12	1.00	0.92	0.84	0.83
SOUTH KOREA	1.86	1.63	1.02	0.91	0.99	0.85
SPAIN 1/	2.36	2.50	2.01	1.76	1.66	2.35
TAIWAN	1.56	1.34	1.21	1.26	1.27	1.21
THAILAND	1.49	1.22	1.08	1.00	0.91	0.92
VENEZUELA	---	---	---	2.30	0.92	0.87
OTHER	1.47	1.66	1.31	1.14	1.02	0.99
AVERAGE	1.56	1.29	1.12	1.03	0.98	0.97
			PERCENTAGE OF TOTAL QUANTITY			
ECUADOR	---	---	---	1	2	1
INDONESIA	***	1	2	1	1	***
JAPAN	30	30	17	17	11	5
MALAYSIA	1	1	2	1	2	1
PHILIPPINES	30	32	26	14	14	12
SOUTH KOREA	***	***	***	***	***	1
SPAIN 1/	***	***	***	***	***	***
TAIWAN	22	12	15	11	11	12
THAILAND	15	21	33	55	57	64
VENEZUELA	---	---	---	***	***	3
OTHER	2	3	3	***	2	1
TOTAL	100	100	100	100	100	100

*** Less than 1 percent, included in "OTHER" listing.

1/ Mainly Oil Packed

Source: Department of Commerce, Bureau of the Census

ATTACHMENT 1

FOURTH QUARTER, 1986
IMPORTS OF CANNED TUNA NOT IN OIL APPLIED AGAINST THE QUOTA

Imports of canned tuna, not in oil, continued at an unprecedented rate through the fourth quarter of 1986. The January-December, 1986, volume of 233.9 million pounds exceeded the 81.1 million pound quota by 152.9 million pounds or 189 percent. Imports in 1986 were up 21.1 million pounds or 10 percent as compared to 1985.

Fourth quarter imports of 31.5 million pounds declined by 25.6 million pounds or 45 percent when compared to the third quarter. When measured against the 1985 fourth quarter figure of 39.1 million pounds, 1986 imports are down by 7.7 million pounds or 20 percent.

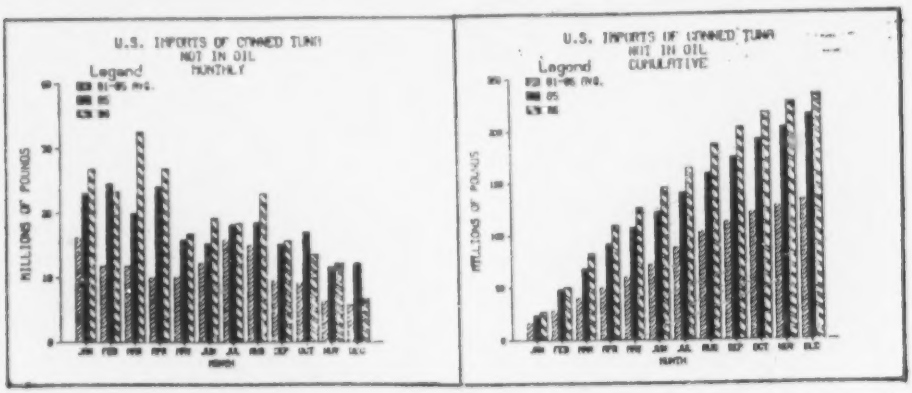


TABLE 1. IMPORTS OF CANNED TUNA, NOT IN OIL, MONTHLY, 1981-86

	1981*	1982*	1983	1984	1985	1986
	1,000 Pounds					
JANUARY	15,268	7,637	17,422	17,734	23,018	26,834
FEBRUARY	8,745	13,395	3,699	9,037	24,430	23,301
MARCH	6,605	9,567	14,687	8,644	19,929	32,517
APRIL	3,927	2,413	9,363	10,016	23,916	26,824
MAY	3,959	6,495	9,976	13,831	15,786	16,752
JUNE	5,143	9,780	12,642	18,337	15,116	19,219
JULY	7,888	14,404	14,255	24,568	18,086	18,466
AUGUST	5,715	9,651	20,088	21,232	18,402	22,975
SEPTEMBER	7,891	5,038	6,783	12,260	15,033	15,625
OCTOBER	5,336	5,112	4,644	13,245	16,957	12,728
NOVEMBER	4,192	4,027	4,183	7,541	11,556	11,997
DECEMBER	2,014	5,240	2,446	7,238	12,055	6,746
TOTAL	76,683	92,759	120,208	163,703	214,284	233,984

TABLE 2. IMPORTS OF CANNED TUNA, NOT IN OIL, CUMULATIVE, 1981-86

	1981*	1982*	1983	1984	1985	1986
	1,000 Pounds					
JANUARY	15,268	7,637	17,422	17,734	23,018	26,834
FEBRUARY	24,013	21,032	21,121	26,771	47,448	50,135
MARCH	30,618	30,599	35,808	35,435	67,377	82,652
APRIL	34,545	33,012	45,191	45,451	91,293	109,476
MAY	38,504	39,507	55,167	59,282	107,079	126,228
JUNE	43,647	49,287	67,809	77,619	122,195	145,447
JULY	51,535	63,691	82,064	102,187	140,281	163,913
AUGUST	57,250	73,342	102,152	123,419	158,683	186,888
SEPTEMBER	65,141	78,380	108,935	135,679	173,716	202,513
OCTOBER	70,477	83,492	113,579	148,924	190,673	215,241
NOVEMBER	74,669	87,519	117,762	156,465	202,229	227,238
DECEMBER	76,683	92,759	120,208	163,703	214,284	233,984
QUOTA	104,355	109,742	91,903	95,587	97,496	81,092
OVER QUOTA	---	---	28,305	68,116	116,788	152,892

* April 1981 to December 1982 estimated by excluding shipments from American Samoa
DATA SUBJECT TO REVISION

Source: Department of Commerce, Bureau of Census, FT-800 U.S. Trade with Puerto Rico and U.S. Possessions, 1981-1982
Department of Treasury, U.S. Customs Quota Section, Quota Information Release, 1981-1984
Department of Treasury, U.S. Customs Quota Section, Preliminary Information, June, 1984 through December, 1986

ATTACHMENT 2

CALIFORNIA LANDINGS AND VALUES OF SELECTED SPECIES, 1980-1986

	1980	1981	1982	1983	1984	1985	1986
				Thousand Pounds			
				Thousand Dollars			
TUNA	384,100	308,896	240,761	240,211	175,422	61,974	67,684
	$218,845	$181,438	$122,174	$114,786	$86,066	$27,965	$26,746
GROUNDFISH	81,266	93,891	115,980	86,335	88,963	94,121	91,005
	$16,551	$21,460	$27,795	$21,596	$22,608	$26,077	$28,522
SWORDFISH	1,197	1,108	1,677	2,602	4,430	5,225	3,484
	$3,142	$3,279	$5,076	$6,626	$11,651	$13,484	$11,659
MACKEREL	110,175	117,007	121,036	112,500	116,749	96,873	109,116
	$9,734	$10,893	$11,038	$9,699	$9,574	$7,719	$8,183
DUNGENESS CRAB	15,934	8,182	6,592	5,181	5,313	6,194	6,763
	$9,770	$7,393	$7,254	$7,942	$8,388	$8,895	$9,603
SALMON	6,023	6,020	7,968	2,407	2,974	4,643	7,411
	$13,385	$15,098	$19,966	$4,698	$8,003	$11,718	$21,209
ANCHOVY 1/	94,678	114,664	92,715	9,481	6,405	3,572	4,502
	$2,543	$3,219	$2,126	$394	$665	$277	$384
SEA URCHIN	22,166	23,989	18,568	15,808	14,753	18,944	30,159
	$3,665	$4,532	$3,329	$3,338	$3,575	$4,580	$8,497
SHARK	3,698	3,611	3,953	3,086	3,195	3,664	2,564
	$2,236	$2,331	$2,838	$2,220	$2,543	$3,044	$2,050
ABALONE	1,239	1,065	1,184	831	823	811	570
	$2,115	$2,053	$2,192	$1,717	$2,441	$2,494	$1,758
HERRING	17,771	12,888	22,625	17,658	8,482	17,607	16,837
	$16,718	$4,670	$9,770	$12,623	$1,931	$6,115	$5,591
CA HALIBUT	710	1,242	1,204	1,113	1,100	1,260	1,132
	$1,004	$1,884	$1,867	$1,738	$1,930	$2,296	$2,253
SPINY LOBSTER	415	471	510	484	441	439	422
	$1,346	$1,607	$1,833	$1,835	$1,750	$1,908	$1,915
SHRIMP/PRAWN	3,681	4,644	4,972	1,395	2,314	4,284	6,611
	$2,208	$3,034	$3,413	$1,492	$1,514	$2,063	$4,117
ROCK CRAB	1,083	1,338	1,250	1,336	1,650	1,714	1,758
	$768	$1,003	$993	$1,098	$1,400	$1,510	$1,594
OYSTER	866	1,070	999	990	1,174	1,473	1,244
	$1,164	$1,182	$1,512	$1,091	$1,294	$2,084	$1,873
BONITO	14,242	16,577	6,057	7,505	6,179	5,218	529
	$2,884	$4,555	$1,278	$1,373	$832	$505	$83
CROAKER	1,062	959	1,263	716	1,539	1,417	1,078
	$305	$282	$372	$197	$335	$523	$423
SQUID	33,913	49,681	35,902	4,003	1,243	20,521	42,225
	$3,034	$5,009	$3,604	$754	$305	$3,529	$4,361
OTHER	5,731	2,629	2,473	3,284	4,678	3,672	2,589
	$4,159	$356	$893	$6,172	$4,846	$3,241	1,594
TOTAL POUNDS	799,950	769,932	687,689	516,926	447,827	353,626	-397,683
	$315,576	$275,278	$229,323	$201,389	$171,651	$130,027	$142,415

1/ Does not include bait.

SOURCES: California Department of Fish and Game, Preliminary Data

National Marine Fisheries Service, Southwest Region, Preliminary Data

Pacific Coast Fishery Information Network (PacFIN)
Groundfish Report Series

ATTACHMENT 3

Table 3.—U.S. tuna purse seine fleet: Fleet size, additions, idle vessels, and removals, January 1, 1978 to January 1, 1987

Year	Fleet size on January 1		Additions during year		Removals during year		Net change during year	
	No.	Capacity	No.	Capacity	No.	Capacity	No.	Capacity
1978	124	110,665	4	4,800	6	6,356	-2	-1,556
1979	122	109,109	5	6,600	3	2,120	2	4,480
1980	124	113,589	5	5,000	12	12,240	-7	-6,240
1981	117	107,949	13	14,750	2	905	11	13,845
1982	128	121,194	11	13,250	14	10,271	-3	2,979
1983	125	124,673	6	7,750	7	5,759	-1	1,991
1984	124	126,164	0	0	17	15,179	-17	-15,179
1985	107	110,985	0	0	17	13,054	-17	-13,054
1986	90	97,131	-	-	-	-	-	-
1987	82	90,189	+	1,500	9	8,442	-8	-7,942

Summary of additions by type

Year	New		Transfer from other fishery		Total additions	
	No.	Capacity	No.	Capacity	No.	Capacity
1978	4	4,800	0	0	4	4,800
1979	5	6,600	0	0	5	6,600
1980	5	5,000	0	0	5	5,000
1981	5	6,000	8	8,750	13	14,750
1982	6	7,200	5	6,050	11	13,250
1983	4	4,950	2	2,800	6	7,750
1984	0	0	0	0	0	0
1985	0	0	0	0	0	0
1986	1	1,500	0	0	1	1,500

Summary of removals by type

Year	Lost at sea		Transfer to other fishery		Transfer to foreign flag		Total transfers	
	No.	Capacity	No.	Capacity	No.	Capacity	No.	Capacity
1978	2	2,295	0	0	4	4,061	6	6,356
1979	2	1,570	0	0	1	550	3	2,120
1980	2	1,440	1	300	9	10,500	12	12,240
1981	1	355	0	0	1	550	2	905
1982	6	2,581	0	0	8	7,690	14	10,271
1983	2	678	0	0	5	5,081	7	5,759
1984	4	3,605	2	2,200	11	9,374	17	15,179
1985	2	438	6	4,831	9	8,585	17	13,854
1986	3	2,242	1	950	5	5,258	9	8,442

Idle vessels as of December 31

Year	Converted		New		Total		Share (percent) of fleet	
	No.	Capacity	No.	Capacity	No.	Capacity	No.	Capacity
1978	0	0	0	0	0	0	-	-
1979	0	0	0	0	0	0	-	-
1980	1	192	1	1,100	2	1,292	1.7	1.2
1981	4	1,977	7	6,610	11	8,587	8.6	7.1
1982	6	3,398	13	12,410	19	15,808	15.2	10.0
1983	11	5,523	23	23,410	34	28,933	27.4	23.0
1984	8	4,138	15	17,680	23	21,818	21.5	19.7
1985	2	1,092	19	21,330	21	22,422	23.3	23.1
1986	1	900	12	12,010	18	12,910	14.4	13.4

Source: Data submitted by American Tunaboat Association.

ATTACHMENT 4

STATUS OF TUNA SEINER FLEET: 1 April 1987

Fleet Size on 4/1/87		Additions 1/1 - 4/1/87		Removals 1/1 - 4/1/87		Net Change 1/1 - 4/1/87	
NO.	CAPACITY	NO.	CAPACITY	NO.	CAPACITY	NO.	CAPACITY
73	79,089	2	1,200	11	12,300	9	11,100

Summary of Additions by Type (1 Jan. - 1 April 1987)

New		Transfer Other Fishery		Total Additions	
NO.	CAPACITY	NO.	CAPACITY	NO.	CAPACITY
0	0	2	1,200	2	1,200

Summary of Removals by Type (1 Jan. - 1 April 1987)

Lost at Sea		Transfer Other Fishery		Transfer Foreign Flag		Total Transfers	
NO.	CAPACITY	NO.	CAPACITY	NO.	CAPACITY	NO.	CAPACITY
0	0	0	0	11	12,300	11	12,300

Idle Vessels as of April 1, 1987

Converted		New		Total		Share of Fleet (%)	
NO.	CAPACITY	NO.	CAPACITY	NO.	CAPACITY	NO.	CAPACITY
1	900	5	4,210	6	5,110	8.5	6.5

SPECIAL NOTE: Two (2) 1,200 ton capacity tuna seiners built in San Diego on speculation were sold to South Korean citizens after being idle in San Diego for over two years. The vessels departed San Diego in January 1987. Two other newly built seiners remain idle, one in San Diego, the other in Tacoma, Washington. These 4 vessels, having never fished, were not included in prior listings as part of the U.S. Tuna Seiner Fleet.

BY PERMISSION OF THE CHAIRMAN:

RECEIVED
MAY 28 1987
COMMITTEE ON TRADE

ASSOCIATION OF SOUTHEAST ASIAN NATIONS
WASHINGTON COMMITTEE

May 20, 1987

Dear Congressman,

1. We, the Ambassadors of the six member nations of the Association of Southeast Asian Nations (ASEAN), wish to express our grave concern over H.R. 1515, a bill introduced by Representative Robert T. Matsui to "equalize" the rate of duty on canned tuna fish at 24 percent.

2. The ASEAN countries together account for about 77 percent of all U.S. imports of canned tuna.

3. Althcugh not all ASEAN countries are involved in the tuna trade, all our governments have a vital interest in the preservation of free and fair competition in international trade. We have a vital interest as well in the maintenance of the world trading system whose keystone is the General Agreement on Tariffs and Trade. In this respect, the proposed tariff increase exceeds the rates of duty that were negotiated and bound in the GATT in the Kennedy Round of trade negotiation which have been in effect since 1972. Such a unilateral move to make tariff changes would undermine the GATT procedure on tariffs which require consultation with major trading partners.

4. By eliminating the existing tariff quota system and establishing a single duty of 24 percent, H.R. 1515 would effectively increase duties collected on canned tuna by over 200%. Under the existing duty structure, U.S. imports of tuna packed in water, in an amount up to 20 percent of the U.S.-packed tuna for the previous year enter at six percent duty. Imports of tuna packed in water in excess of that volume enter at a rate of 12.5 percent. Finally, imports of tuna packed in oil, which are negligible, enter at a rate of 35 percent.

5. The U.S. International Trade Commission, in response to a petition under Section 201 of the Trade Act of 1974, determined in 1984 that rising imports were <u>not</u> a substantial cause of serious injury to the United States industry. In 1986, in response to a request from the U.S. Trade Representative for a study of competitive conditions in the U.S. tuna industry, the Commission reiterated the valuable role of imports as supplements to "occasionally insufficient domestic production" and as product forms "that for cost reasons are not economical to produce domestically."

6. In addition to hurting U.S. consumers and viclating U.S. international obligations, the bill would also disrupt the growing and mutually beneficial two-way trade in tuna, in which U.S. exports of tuna to the ASEAN countries have risen from negligible amounts in the early 1980s to close to 35,000 tons in 1985.

7. We urge you, Mr. Congressman to reject the duty increase proposed under H.R. 1515 in view of the reasons stated above and, in particular, bearing in mind the mutual economic interests of the United States and ASEAN, U.S. obligations under GATT, and the judgment of the U.S. International Trade Commission that imports are not a substantial cause of injury to the U.S. industry

H.E. Prof. Tommy T B Koh
Ambassador of Singapore
Chairman of AWC

H.E. Dato Paduka Haji Mohd.
Suni Bin Haji Idris
Ambassador of Brunei

H.E. Mr. Soesilo Soedarman
Ambassador of Indonesia

H.E. Mr. Albert S Talalla
Ambassador of Malaysia

For H.E. Mr. Emmanuel Pelaez
Ambassador of the
Philippines

H.E. Mr. Arsa Sarasin
Ambassador of Thailand

Bumble Bee Seafoods, Inc.
P.O. Box 23508
San Diego, California 92123

April 8, 1987

Joseph K. Dowley, Esq.
Chief Counsel
Committee on Ways and Means
U.S. House of Representatives
Room 1102 Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Dowley:

I am Patrick W. Rose, President, Bumble Bee Seafoods, Inc., P.O. Box 23508, San Diego, California (Tel. 619 560-0404). This submission is made on my own behalf and that of Bumble Bee Seafoods, Inc. Bumble Bee Seafoods, Inc. is the largest distributor of whitemeat tuna in the United States and the third largest distributor of lightmeat tuna in the United States and the largest distributor of salmon in the United States. We employ over 2,300 people in the United States and enjoyed 1986 sales of about $250 million. We are privately owned by management and outside investors.

Bumble Bee Seafoods, Inc. does not support the intent of H.R. 1515 to equalize the duties on imported tuna, whether or not packed in oil. We would like to comment in detail if any public hearings are scheduled on this bill but provide the following outline of our comments supporting a recommendation not to enact this bill into law:

I. The U.S. tuna industry does not support such legislation broadly; rather it is divided as to opinion on protectionist tariffs as an aid to the industry.

II. The U.S. tuna processing industry which produces the products which the proposed tariff equalization would further protect is healthy and profitability, as reported by the International Trade Commission to the President in October, 1986, is not only at record levels for an eight-year (1979-1986) measurement period but has also increased steadily over the past five years.

III. The U.S. tuna harvesting industry, while reported by the ITC Report (Oct. 1986) to be less healthy and unprofitable, would not benefit from such tariff equalization since such tariffs would not apply to the products (frozen round tuna) of such fishing operations. To the contrary, we would predict that imported round tuna which enters the U.S. duty free would increase in import volume as such supplies are displaced from current international trade to tuna exporting countries impacted by the proposed tariff equalization.

IV. The causes of financial hardship in certain segments of the U.S. tuna industry are not to be found in the present tariff schedules which have been in existence for a long time.

V. The proposed tariff equalization would reduce trade and competition in the industry by selectively aiding certain firms which do not require such government intervention.

VI. U.S. consumers would be unfairly taxed by higher tuna costs as a result of the proposed tariff equalization.

VII. The suggested tariff equalization is contrary to significant national and international policy objectives of the United States to promote fair and competitive trade, international economic development and political and social progress.

I would note finally that our company has offered similar views and recommendations on similar bills introduced in each of the past few congressional sessions. None of those earlier bills received any meaningful support and none have been reported to the House of Representatives by the Committee on Ways and Means.

Thank you for considering our views on this bill.

Sincerely,

Patrick W. Rose
President & Chief Executive Officer

/mt

STATEMENT OF
CONGRESSMAN TONY COELHO
on H.R. 1515
TO EQUALIZE TARIFFS ON IMPORTED TUNA

before the
TRADE SUBCOMMITTEE
of the
HOUSE WAYS & MEANS COMMITTEE
May 1, 1987

I appreciate the opportunity to submit a statement to the House Ways and Means Subcommittee on Trade in support of H.R. 1515, a bill to equalize the tariffs on canned tuna imported into the United States. This measure is essential if we are to halt the continuing devastating effect that increased imports of canned tuna have had on our domestic tuna industry. The need to preserve this distant water fishing fleet has been well-established as a matter of national policy. In 1980, for example, the United State Trade Representative did a study in response to a Moroccan request for g.s.p. status treatment. This study concluded that this U.S. industry should be protected.

This bill would lower the tariff of imported tuna packed in oil from 35 percent to 24 percent, and establish the 12.5 percent tariff on imported tuna packed in water at the same 24 percent - thus creating one tariff on all imported canned tuna. This action would create a single category of imported tuna, just like all other trading partners (except Canada), and also equalize the level of the tariff at that of the EEC. These structural changes are very important because of the structure of the consuming markets for canned tuna.

At the present time, the United States consumes more than 40 percent of all canned tuna, and the European countries consume about 40 percent, making the market for tuna exports essentially two countries. It is obvious when there is any excess canned tuna in the world that the EEC tariff of 24 percent operates as a deflective barrier which diverts all potential exports into the United States market. This is not a matter of "free trade" or protecting a U.S. market, but simply putting our market on an equal and competitive basis with the other major consuming area. In this regard, the tuna industry is different from other products where there is a diverse market around the world, since it is essentially a two-market product, and our trade policy should reflect that uniqueness. To do otherwise is to invite the destruction of our domestic tuna industry, as we have seen over the last few years.

In October 1986, the International Trade Commission made a section 332 report that well documents that destruction. The report shows that during the time period of 1979-1985:

-U.S. tuna purse seiners have declined from 124 to 90 (and the actual count today is 73)

-In none of those years did the average U.S. purse seiner earn a positive return on net sales

-U.S. canneries have declined from 22 to 8

-Employment in the industry has declined by 12 percent and total wages by 8 percent

-Imports of canned tuna have increased nearly 300 percent in quantity, with every year establishing a new record, and in each of the last four years, the increase has been by about one-third.

The Administration is about to send to the Congress for ratification, a major Western Pacific fishing rights treaty, which includes a $10 million provision to keep our fishing fleets operating in that area. This is a significant strategic area which is often frequented by Soviet fishing vessels. Our fishing fleet is the only U.S. presence in that important area, and we must be sure that we will have a fleet to fulfill the purposes of that treaty after is ratification. For these reasons, I strongly support H.R. 1515 which will rectify the current unfair disadvantages suffered by our domestic tuna industry, not because it needs protecting so much as it is disadvantaged by the structure and levels of tariffs that are lower than the other major markets.

STATEMENT REGARDING H.R. 1515
TO EQUALIZE THE DUTIES ON CANNED TUNA
SUBMITTED ON BEHALF OF THE
THAI FOOD PROCESSORS ASSOCIATION

This submission has been prepared by L. A. Motley and Company, 1800 K Street, N.W., Washington, D.C., on behalf of the Thai Food Processors Association in response to the March 20, 1987 request of the Committee on Ways and Means for written testimony on various miscellaneous tariff bills, including H.R. 1515.

The Thai Food Processors Association opposes H.R. 1515 for the following reasons:

- It would effectively raise the duty on canned tuna by 230 percent, increasing costs to consumers by over $30 million per year of this inexpensive source of protein. Reducing the duty on tuna packed in oil will not help U.S. consumers since there are no imports of that product.

- As various U.S. Government studies have shown, a higher tariff would not solve the problems of the U.S. tuna industry, and would be unfair to the Thai industry which has consistently traded on a fair and equitable basis in the U.S. market.

- It would violate U.S. international obligations negotiated in the General Agreement on Tariffs and Trade (GATT).

- It would undermine the growing two-way trade in tuna between Thailand and the United States, to the detriment of U.S. exporters of frozen tuna as well as Thai exporters of canned tuna.

- It would nullify the justification for the reduction of Thailand's tuna tariff, achieved last year in response to U.S. concerns.

For these and other reasons, we urge the Committee to reject this proposal, just as the U.S. International Trade Commission rejected a request for import relief on this same product filed under Section 201 of the Trade Act of 1974.

Tariff Treatment of Canned Tuna

Notwithstanding the stated description of its purpose, H.R. 1515 would dramatically increase the duty on tuna packed in water. The fact that it would reduce the duty on tuna packed in oil is virtually meaningless, since almost no imports of this type of canned tuna enter the United States. Health conscious U.S. consumers have a definitive preference for the tuna packed in water and simply no longer want to buy tuna packed in oil.

Canned tuna is packed in one of two ways -- in oil or in water. Imported canned tuna packed in oil is classified under TSUS item 112.90 with a column 1 rate of 35 percent ad valorem. The current 35 percent ad valorem rate is the result of a concession negotiated in the General Agreement on Tariffs and Trade in 1955. Prior to the rate reduction, the duty on tuna packed in oil had moved between a low of 22.5 percent ad valorem in 1943 and a high of 45 percent ad valorem in 1951. As a result of the reversion of the duty on tuna packed in oil to 45 percent ad valorem in 1951, tuna not packed in oil which was subject to a lower rate of duty began to enter the U.S. in commercially significant quantities for the first time. Such tuna now accounts for virtually all imports.

Imported canned tuna, not packed in oil (tuna packed in water), is subject to a tariff-rate quota. Imports of canned tuna packed in water, not in excess of 20 percent of the U.S. pack of canned tuna during the preceding year, enter the U.S. under TSUS item 112.30 and are subject to a rate of duty of 6 percent ad valorem. Imports in excess of the 20 percent quota level enter the U.S. under TSUS item 112.34 and are dutiable at 12.5 percent ad valorem.

The current duty rates of 6 percent ad valorem and 12.5 percent ad valorem are the result of concessions granted by the United States during the Kennedy Round of GATT negotiations. These rates are GATT "bound" rates which have been in effect since 1972. They are international obligations of the United States.

The table set forth below shows the applicable yearly quotas as well as imports which enter in the over-quota category.

Table 1

U.S. IMPORTS OF CANNED TUNA IN WATER
(thousand pounds)

	1982	1983	1984	1985	1986
Quota	109,742	91,904	89,699	97,460	81,000
Imports Under Quota	92,759	91,904	89,699	97,460	81,000
Imports Over Quota	0	28,304	74,216	116,884	155,621
Total Imports	92,759	120,208	163,915	214,344	236,621
Value (000 US Dollars	113,347	137,324	167,270	209,138	229,626
Imports from Thailand	18,667	39,930	89,685	122,666	152,297
Value (000 US Dollars	22,711	43,259	89,253	111,852	139,561

Source: U. S. Department of Commerce

International Obligations of the United States

If this bill were to become law, resulting in a unilaterally imposed increase to 24 percent ad valorem of the duty on tuna packed in water, the United States would be in flagrant violation of Article II of the GATT. Article II obligates the United States to maintain rates of duty on imports from GATT member countries at levels no higher than those agreed on and bound in GATT negotiations. Under GATT Article XXVIII, any GATT member country affected by an increase in a bound rate of duty is entitled to compensation, that is, to U.S. duty reductions or other trade concessions of equivalent value. In the absence of compensation, affected GATT member countries would be entitled to increase their barriers to U.S. exports in like amounts.

As then U.S. Trade Representative Ambassador William E. Brock stated in 1984, in response to an earlier proposal to increase the duty on tuna packed in water:

> I believe that we must avoid trading increased protection for one industry in return for reduced tariff protection or decreased export opportunities for another industry. It is unfair to ask companies and workers in one industry to bear the burden of paying for benefits to firms and workers in a wholly separate industry.

Consumer Impact

In 1986, U.S. imports of canned tuna packed in water amounted to 237 million pounds valued at $230 million. The tariff-rate quota for 1986, as determined by the National Marine Fisheries Service, was 81 million pounds. Total duties collected therefore amounted to about $24 million (six percent of the value of 81 million pounds, or $4.7 million, plus 12.5 percent of the value of 156 million pounds, or $18.9 million). Had the rates proposed in H.R. 1515 been in effect in 1986, duties collected would have been 24 percent of $230 million, or $55.2 million -- an increase of over 230 percent.

Figures for 1985 and 1984 show a similar pattern. If the rates proposed in H.R. 1515 had been in effect in those years, the additional duties would have been $32 million and $25 million respectively, for a three-year total of about $90 million.

Because the price of canned tuna at the retail level is marked up over the import price, the bill paid by consumers would be considerably more than the $30 million annual tariff increase.

Impact on Thailand

As the leading exporter of canned tuna to the United States, the trading partner that would be most heavily affected by this legislation is Thailand. As shown in the tables on the following pages, in 1983, Thai exporters replaced Japanese exporters as the leading foreign suppliers to the U.S. market.

In 1986, Thailand accounted for 64 percent of U.S. imports. Taiwan and the Philippines were the second and third largest exporters in 1986, each accounting for about 12 percent, followed by Japan, which supplied less than 5 percent of imports. The countries of ASEAN -- the Association of South East Asian Nations, which includes Thailand, the Philippines, Indonesia, Malaysia, and Singapore -- together account for 77 percent of all imports into the United States (see Table 2).

Table 2

U.S. Imports of Canned Tuna (Quantity: thousand pounds)

SOURCE	1982	1983	1984	1985	1986
Ecuador	-	-	890	5,175	2,886
Indonesia	595	2,634	2,222	1,388	815
Japan	26,481	20,387	26,855	23,703	10,558
Malaysia	755	3,083	1,608	3,878	2,401
Philippines	27,631	32,018	22,225	30,797	27,982
South Korea	49	68	82	58	1,443
Spain	120	133	214	336	237
Taiwan	10,704	18,710	17,935	23,472	28,579
Thailand	18,667	39,930	89,685	122,666	152,297
Venezuela	-	-	3	923	7,328
Other	2,575	3,260	579	1,552	2,095
Total	87,579	122,329	162,313	213,948	236,621

Source: Dept. of Commerce, USA

U.S. ITC Reports

The reasons for and impact of rising canned tuna imports have been examined and reexamined by the U.S. Government in recent years.

In August 1984, the International Trade Commission (ITC), after conducting an investigation under Section 201 of the Trade Act of 1974[1], determined that rising imports of canned tuna were not a substantial cause of serious injury to the domestic industry. After thorough examination of the facts, the Commission found that two other developments -- the over-expansion of the industry and the forced movement of the U.S. tuna fishing fleet from the eastern to the western Pacific as a result of changes in ocean currents (the "El Nino" phenomenon) -- had much more to do with the industry's difficulties than did imports.

During consideration of the legislation which became the Trade and Tariff Act of 1984, proposals were made to increase the duties on tuna packed in water, in disregard of the administrative process which the U.S. industry had set in motion. The Congress wisely did not accept this proposal.

The U.S. industry then prompted a request from the United States Trade Representative for an investigation under Section 332 of the Tariff Act of 1930 on the competitive conditions in the U.S. tuna industry.[2] This study again confirmed the trends and industry conditions which the Commission had noted in its 201 investigation. The Executive Summary of the Report, in describing why U.S. processors are also significant importers, very succinctly and accurately describes the role of imports of canned tuna in the U.S. market:

> Such imports occur for a number of reasons: they supplement occasionally insufficient domestic production, and they are in product forms that for cost reasons are not economical to produce domestically.[3]

Thai-U.S. Balance of Trade in Tuna

The relationship between the tuna industries of Thailand and the United States has been changing in recent years, becoming closer and more interdependent. Beginning in 1984 and continuing in 1985 and 1986, U.S. harvesters have been exporting large and increasing quantities of frozen tuna to Thailand. Data gathered by the National Marine Fisheries Service shows U.S. frozen tuna exports rising from a negligible 583 tons in 1983 to over 32,000 tons in 1984 and almost 35,000 tons in 1985.

U.S. harvesters are the largest suppliers of frozen tuna to Thailand, accounting for 31 percent of Thai imports in 1985. The USITC report is very clear on the reasons for and expected export trends in the industry:

---

[1] Report to the President on Investigation No. TA-201-53, USITC Publication 1558, August 1984.

[2] Report to the President on Investigation No. 332-224 under Section 332 of the Tariff Act of 1930, As Amended. USITC Publication 1912, October 1986.

[3] Ibid, pg xiii.

> The large rise in 1984 and the sustained level in 1985 are believed to have been primarily the result of licensing arrangements between U.S. and Thai processors to send canned tuna to the U.S. market. the raw material required by the increased Thai production that resulted from these arrangements was supplied, to a large degree, by U.S. purse seine vessels, because Thailand must import the bulk of its frozen tuna requirements. It is also believed that the U.S. vessels that are exporting frozen tuna to Thailand are either owned by, or financially tied to, the U.S. processors involved in the arrangements with the Thai processors. Such exports are expected to continue in the future.[4]

The enactment of H.R. 1515 would disrupt this growing and mutually beneficial trade.

Thailand's tariffs on tuna fish

The Committee should also be aware that Thailand in 1986 unilaterally lowered its tariffs on tuna fish to levels roughly equivalent to the current U.S. tariffs. In response to U. S. concerns, Thailand's tariff on canned tuna was reduced from 60 percent ad valorem to 10 percent ad valorem, effective November 1986. Frozen tuna enters Thailand duty free.

Enactment of H.R. 1515 would upset this balance, which Thailand established at U.S. request.

Conclusion

For the reasons set forth above, the Thai Food Processor's Association respectfully requests that H.R. 1515 not be adopted, and that the U.S. tariffs on canned tuna remain at the levels negotiated in the GATT.

We urge the Committee and its staff to give the most careful attention to the exhaustive analyses of the U.S. tuna industry prepared by the U.S. International Trade Commission and referred to in this statement. We believe these analyses reveal the real conditions of the industry and indicate the devastating effect a 230 percent tariff increase would have on consumers.

We also urge the Committee to adhere to its traditional policy of adherence to the international obligations of the United States. To do otherwise would invite a wholesale assault on the world trading system and on the exports of a friend, ally, and good trading partner of the United States whose producers have competed fairly to meet the demands of U.S. consumers.

---

[4] Ibid, pg. 77.

The Seafarers International Union
OF NORTH AMERICA • AFL-CIO
5201 Auth Way, Camp Springs, Maryland 20746
301-899-0675

FRANK DROZAK
President

COMMITTEE ON
MAY 11 19
WAYS AND MEA

May 5, 1987

The Honorable Dan Rostenkowski
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

The Seafarers International Union requests your support of H.R. 1515 which is currently pending before the Subcommittee on Trade. This measure is designed to restore equity to the American tuna industry by equalizing tariff rates on all imported canned tuna. Because of the present unbalanced duty structure favoring tuna packed in water, the American tuna industry and its workers, both fishermen and cannery workers, are sustaining heavy losses as a result of the dumping of foreign tuna on U.S. shores.

For your information, I have attached a copy of our letter to Subcommittee Chairman Sam Gibbons requesting favorable consideration of this measure. The survival of the American tuna industry depends on the passage of H.R. 1515 and we ask that you express your support of this legislation when the Subcommittee considers miscellaneous tariff measures.

Sincerely,

Frank Drozak

Frank Drozak

Attachment

The Seafarers International Union
OF NORTH AMERICA • AFL-CIO
5201 Auth Way, Camp Springs, Maryland 20746
301-899-0675

FRANK DROZAK
President

COMMISSION
MAY 11 1987

May 1, 1987

The Honorable Sam Gibbons, Chairman
Subcommittee on Trade
Committee on Ways and Means
1136 Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

The Seafarers International Union of North America, AFL-CIO, urges your support of H.R. 1515, legislation which would restore equity to the tuna industry by equalizing the tariff rates on all canned tuna imported into the United States. The SIU represents thousands of seamen crewing U.S.-flag vessels engaged in the nation's foreign and domestic waterborne commerce in addition to fishermen engaged in the harvesting of various species of fish in both domestic and international waters as well as tuna cannery workers on the West Coast and in Puerto Rico.

As you know, the U.S. tuna industry is experiencing very serious injury as a direct result of the surge of imports of canned tuna, both in absolute number and as a percentage of overall domestic consumption. Imports have increased nearly 300 percent in quantity since 1979 and over 221 percent in value. As a percentage of domestic consumption, imports increased 200 percent during that time and now account for about 27 percent of consumption. Early indications point to a new record being set this year.

Virtually all canned tuna imports consist of tuna packed in water, rather than oil. These imports are facilitated in large part by an anomalous duty structure, one caused more by a historical accident than by design, resulting in the United States being the only nation to maintain a separate rate for canned tuna packed in water or in oil. The basic duty rate on tuna packed in water is 6 percent, while the duty rate on tuna packed in oil is 35 percent. This inadvertent duty structure has enabled imports to capture from the domestic industry a growing share of one of the most profitable and fastest growing segments of the market, severely impacting American workers in the tuna industry employed on tuna purse seine vessels and in tuna canneries.

As a result of the continuing increase of tuna imports, the domestic industry has sustained heavy losses despite initiating drastic cost-cutting measures, including the tie-up of tuna vessels and the closure of several tuna processing facilities. The number of U.S. tuna purse seiners declined from 124 at the end of

1979 to 90 at the end of 1985; baitboats have declined from 28 vessels to 9 vessels. Currently, more than 30 vessels with a replacement value of $200-300 million are tied up or have been sold to foreign interests; several purse seiners are continuing to operate under protection of the nation's bankruptcy laws.

Further, the canneries fare no better, declining from 22 to 8 since 1979, with one remaining in California, five in Puerto Rico, and two in American Samoa. Canneries have been forced to close their mainland plants and operate in lower cost areas; other canneries have been forced to lay off workers until only skeletal staffs remain. Unemployment remains unprecedented. Since 1979, 7,000 cannery workers have lost their jobs. Moreover, although their wages are not very high in relation to wages in other U.S. industries, these workers have already made meaningful sacrifices and concessions in order to improve the competitive posture of U.S. canneries. Cannery workers have accepted minimal wage and benefit increases well below the level that individuals with comparable job skills have received over the same period. Insurance benefits have been cut back drastically in order to help employers cope with the nationwide rising costs of providing health care benefits to employees.

It is our firm belief that the U.S. tuna industry and the workers it employs have done their fair share to strengthen the industry vis-a-vis its foreign counterparts. Workers have taken courses of action to improve productivity in the canneries. The industry as a whole has operated efficient plants, investing millions of dollars in technologically advanced equipment and techniques to improve the harvesting and processing of tuna and in state-of-the-art machinery to increase yields and lower costs. U.S. processors have set the standard for the world in efficiency and quality and have cut their costs to the lowest level possible without endangering the integrity of the product.

The United States has become a siphon for all major tuna exporting nations, dumping canned tuna in the U.S. market in unprecedented levels. These nations have taken advantage of a loophole in the Tariff Schedules of the United States (19 U.S.C. 1202) resulting from a 1943 trade concession to Iceland for fish canned in brine. At the same time, these nations, primarily Thailand, the Philippines, and Taiwan, which account for almost 75 percent of all imports of canned tuna into the United States, have imposed duties and other barriers substantially higher than the across-the-board rate being sought in H.R. 1515. For example, both Thailand and the Philippines impose a 50 percent duty on canned tuna.

Further, the importance of the tuna industry to the nation should not be underestimated. As you know, the U.S. high seas tuna fleet operates in the Western Pacific Ocean area, which is considered of major significance strategically to the United States. The signing of a fisheries treaty between the Soviet Union and Kiribati in 1985 signaled Soviet interest in the area and evoked concern at the highest levels of the State Department among officials who seldom deal with fisheries issues. The implications of permitting the Russians to establish their presence in the Western Pacific was reason enough for the State Department to concentrate on negotiating and reaching an agreement with 16 nations within the area called Oceania that allows U.S. purse seiners over the next five years to fish

tuna from an area covering 10 million square miles. It would be ironic if the United States did not have the purse seine vessels to maintain the U.S. presence in this strategically important area.

Without legislative relief, however, the survival of the American tuna industry is highly questionable. The Seafarers International Union believes that the only logical, workable and equitable mechanism to save the U.S. tuna industry is for the Congress to take immediate action to establish parity in the tariff rate for tuna packed in water with that of tuna packed in oil. We, therefore, respectfully request your support for H.R. 1515 now under consideration by the Subcommittee on Trade. Enactment of this legislation will ensure that product dumping of canned tuna on the U.S. market will be stemmed, affording the domestic industry an opportunity to compete effectively against highly subsidized foreign counterparts and preventing further financial losses and unprecedented unemployment in this industry.

Your attention and positive response to this important matter will assist in restoring the viability of the domestic tuna industry.

Sincerely yours,

Frank Drozak

Frank Drozak
President

STATEMENT OF MR. EDWARD A. RYAN, VICE PRESIDENT
STAR-KIST FOODS, INC.
May 1, 1987

Introduction

Star-Kist Foods is a wholly-owned subsidiary of the H.J. Heinz Co. of Pittsburgh, Pennsylvania, and is the world's largest processor and seller of tuna. Star-Kist's processing facilities for the United States market are currently located in Mayaguez, Puerto Rico, and in PagoPago, American Samoa, both U.S. territories, and are respectively the world's largest and second largest operating tuna canneries. This statement is in support of HR 1515, Congressman Matsui's bill to equalize the duties on imported canned tuna, whether or not packed in oil, at 24 percent ad valorem.

Briefly stated, the U.S. tuna industry has been besieged by imports in recent history which has had a devastating effect on our domestic processing industry and our distant water fishing fleets. This constantly increasing flood of imports is facilitated by the structure of our duties, the level of those duties, and by the way the international market for canned tuna is structured.

Structure and Level of the Tariff

Canned tuna was originally dutiable at 30 percent ad valorem under the Tariff Act of 1930, and, as the result of a Presidential proclamation under Section 336 of the Tariff Act, was increased to 45 percent in 1934. It was not until 1943, in an agreement with Iceland, that a distinction was made between tuna packed in oil or packed in other substances. In that war-time agreement, the duty on fish not packed in oil was established at 12.5 percent - an agreement that had absolutely nothing to do with tuna since Iceland was not involved in the tuna business at all. In 1951, tuna not packed in oil entered the United States for the first time as tuna packed in brine from Japan. Hence, the historical anachronism of creating a new category for tuna not packed in oil was accidental, and over time, as dietary practices have changed to a preference for tuna in water, has become an evolving loophole for imported canned tuna.

In 1955, a concession included in GATT, negotiated with Japan, created a 12.5 percent tariff on canned tuna not in oil, up to a volume equal to 20 percent of the previous year's domestic pack with imports in excess of that dutiable at 25 percent. In later GATT negotiations, the "within quota" tariff was reduced to 6 percent and the excess dutiable at 12.5 percent. Hence, the current duties on canned tuna packed in water are 6 percent, rising to 12.5 percent when 20 percent of last year's imports are exceeded, and 35 percent on tuna packed in oil.

Structure of Tariffs and Markets

As a result of this historical evolvement, the United States has the only (excepting Canada) two-tier tariff on imported canned tuna, with the now more prevalent tuna packed in water at the lower tariff of

12.5 percent when the "quota" is exceeded. By comparison, the EEC duty rate is a uniform 24 percent for both tuna in oil and tuna in water. In other significant tuna producing countries, the duty rate in Thailand is 60 percent, Philippines is 50 percent, Mexico is 50 percent, Ecuador is 80 percent, and Venezuela is 100 percent. Japan has lower duty rates, but non-tariff barriers have virtually closed that market to import penetration.

The United States is the world's largest market for canned tuna, accounting for more than 40 percent of total world consumption. The European countries, in total account for another 40 percent of consumption. With such concentrated markets, it can readily be seen that the U.S. market has become the "market of choice" for foreign tuna production for export, and that any excess tuna in the world is canned in water and then is directed to, or siphoned into, the United States, as the EEC's higher tariff rates amount to a barrier that diverts product to our markets.

Resulting Imports

According to the October, 1986 Section 332 report of the United States International Trade Commission (ITC), imports of canned tuna have increased nearly 300 percent in quantity since 1979 and over 221 percent in value. Since 1979, imports have exceeded previous year's levels and established a new record every year. Two years ago in my testimony before this Committee, I stated that imports in 1985 were projected to exceed the previous year's levels by 33 percent; they actually increased 31.7 percent, followed by a 31.2 percent increase in 1986. The effect of this dramatic and continuing increase have been disastrous for the domestic tuna industry, as the ITC pointed out in their report.

Since this Committee's consideration of a similar bill two year's ago, we have continued to lose market share in this country. Several of our competitors in the industry have transferred their operations abroad to such an extent that they are in jeopardy of no longer really being a United States domestic industry.

Decline of the United States Industry

According to the ITC Section 332 report, the U.S. canneries have declined from 22 to 8 since 1979, with one remaining in California, five in Puerto Rico, and two in American Samoa. The industry has been forced to close their mainland canneries and operate in the lower cost areas, but foreign processors still retain a labor cost advantage of $2 to $3.50 per case. The United States processors still set the world standard for efficiency and quality, and state-of-the-art processing methods, but the processing remains labor intensive and employment has declined by 12 percent and total wages by 8 percent during the 1979-85 period. The remaining canneries are of extreme importance to the economies where they are located. The tuna industry is the largest private source of employment in American Samoa, and without this industry, the government would become the employer of last resort. Similarly, the tuna industry in Puerto Rico is a major contributor of the employment with 8,000 jobs. Annual hourly wage increases in the

United States canneries have frequently been equal to the hourly wage rates in some foreign canneries.

Perhaps the most disastrous effect of the diversion of canned tuna to the United States because of the tariff structure is the impact on the U.S. tuna fishing fleet. The U.S. flag tuna boats have declined in number from 124 at the end of 1979 to 73 at the present time. In addition to the impact on the tuna industry, this is of major strategic and foreign policy significance, since the U.S. flag tuna boats are essentially the only United States presence in the strategically important Western Pacific, now frequented by Soviet vessels. We have the most technologically advanced and modern fishing fleet in the world which is not losing out because it is antiquated or in need of modernization.

Our government recently completed a fisheries treaty in the Western Pacific which would allow our tuna boats to fish in those waters. This treaty is of immense foreign policy and security significance, and we should be developing policies that would complement the purposes of this treaty and encourage our tuna boats to frequent these waters, rather than continue to ignore their declining numbers.

Summary

Star-Kist supports the purpose and objective of HR 1515 to equalize tariffs on canned tuna at 24 percent ad valorem. This bill will put the U.S. tuna industry on an equal, competitive footing with the rest of the world and will, we believe, serve to halt the decline of our industry. We would encourage this committee to look at this issue in two lights. First, beyond trade itself, the issue involves, and is important to, our foreign policy and national security interests. Second, the market for canned tuna is unique, since consumption is concentrated in the United States and Europe, which makes the comparative tariff rates in the two markets very much determinative of where foreign canned tuna production for export will be sent. For that reason alone, we believe that these tariffs should be equalized and the same.

85GEGS/C

H.R. 1526

To suspend for 3 years the duty on 6-amino-1-naphthol-3-sulfonic acid

BASF Corporation
Chemicals Division

BASF

Robert G. Thoma
Director
Public and Government Affairs

April 28, 1987

Mr. Joseph K. Dowley
Chief Counsel, Committee on Ways and Means
U.S. House of Representatives
Room 1102 Longworth House Office Building
Washington, DC 20515

Dear Mr. Dowley:

In response to Chairman Gibbon's notice of March 20, 1987, I am writing in support of H.R. 1526 introduced by Congressman Solomon which calls for a three year suspension of duty on 6 Amino-1-Napthol-3-Sulfonic Acid, also known as J Acid.

BACKGROUND

J Acid is a chemical used extensively as an intermediate for azo dyestuff manufacture with major uses in paper and cotton products. The only reported U.S. producer was American Color and Chemical Corporation, which discontinued production in 1981. Current sources of supply are from Italy, West Germany, Japan and the Peoples Republic of China. Total imports in 1983 were reported to be 1,150,000 lbs. by the USITC.

USES

J Acid is used extensively in the manufacture of dyes used for coloring paper products, cotton, viscose and fiberglass. The primary paper usages include bathroom tissues, towels, napkins, facial tissues, stationery and business forms

J Acid is used directly or by conversion to J Acid urea or Phenyl J Acid to make dyes for the uses indicated. The more significant products used for paper in the U.S. for domestic and export sales include: Direct Red 72, 102, 236 and 254, Direct Orange 102 and Acid Red 137. Some of the six domestically produced products also compete against related dyes currently being imported, including Direct Red 239 and Direct Orange 118.

100 Cherry Hill Road, Parsippany, New Jersey 07054 (201) 263-3400

J ACID

In the cotton and viscose area, the major U.S. products include Direct Red 23, 24, 72, 80, 81, and 83, Direct Orange 26 and Acid Red 137. Based on USITC data, these uses accounted for more than 3.5 M pounds of production in 1985 and estimated sales of over $11.8 Million.

COMPETITIVE SITUATION

Dyestuffs products based on J Acid are produced by at least ten domestic manufacturers. Imports of J Acid-related dyes totaled over 190,000 pounds in 1983 and are continuing to increase. In addition to sales in the U.S., there are also export sales from domestic producers who compete against foreign producers. Continuation of elimination of the duty would thus benefit a wide spectrum of the dyestuff industry.

SOURCES OF DATA

The data indicated is based on information available in the USITC reports, Chemical Economics Handbook (SRI International-1981), Encyclopedia of Chemical Producers (SRI International-1982), Encyclopedia of Chemical Technology (Kirk-Othmer-1981), OPD Buyers Directory of Chemical Marketing Reporter (1985 Edition) and Internal BASF Market Research Studies.

Sincerely yours,

Robert E. Thomas

/m

H.R. 1527

To suspend for 3 years the duty on 2-(4-aminophenyl)-6-methylbenzothiazole-7-sulfonic acid

BASF Corporation
Chemicals Division

BASF

Robert G. Thoma
Director
Public and Government Affairs

April 28, 1987

Mr. Joseph K. Dowley
Chief Counsel, Committee on Ways and Means
U.S. House of Representatives
Room 1102 Longworth House Office Building
Washington, DC 20515

Dear Mr. Dowley:

In response to Chairman Gibbon's notice of March 20, 1987, I am writing in support of H.R. 1527 introduced by Congressman Solomon which calls for a three year suspension of duty on 2-[4 Aminophenyl]-6-Methyl-7-benzothiazole Sulfonic Acid (Dehydrothiotoluidine Sulfonic Acid), also known as DSA.

BACKGROUND

DSA is a chemical intermediate used primarily for production of dyes used for paper. There are no know domestic suppliers for this intermediate since the discontinuation of production by DuPont at the end of 1979. All current imports come from Europe and were reported to be 259,000 pounds for 1983. DSA is a major component and a significant cost factor in U.S. paper dye production.

USES

DSA is utilized for the manufacture of dyes used in the paper trade. Primary uses are for coloring bathroom tissues, paper towels, paper napkins, facial tissues, stationery and business forms.

The major dyes produced from this intermediate are Direct Yellow 119, 127, 137, and 147. Estimated consumption of DSA was over 480,000 pounds in 1985, which would result in more than 5 M lbs. of dyestuffs production at a value that exceeds $8 M.

COMPETITIVE SITUATION

The paper dyes produced from this intermediate compete against other paper dyes, including Direct Yellow 84, 107, 132, and 148, and some

100 Cherry Hill Road, Parsippany, New Jersey 07054 (201) 263-3400

imports. There is a growing export market also for U.S. manufacture. DSA is used by at least four domestic manufacturers. Continuation of elimination of the duty would thus benefit a significant part of the dyestuffs industry.

SOURCE OF DATA

The data indicated is based on information available in the USITC reports, Chemical Economics Handbook (SRI International-1981), Encyclopedia of Chemical Producers (SRI International-1982), Encyclopedia of Chemical Technology (Kirk-Othmer-National-1982), OPD Buyers Directory of Chemical Marketing Reporter (1985 Edition) and Internal BASF Market Research Studies.

Sincerely yours,

Robert B. Thomas

H.R. 1556

To provide for the temporary suspension of the duty on mixtures of phenyl methyl pyrazolone and phenyl carbethoxy pyrazolone, acetoacet-o-chloranilide, R Salt, para nitro ortho toluidine and tobias acid, meta nitro-o-anisidine, para chloro-o-nitroaniline, meta nitro para anisidine and para nitro-o-anisidine

No statements submitted.

○